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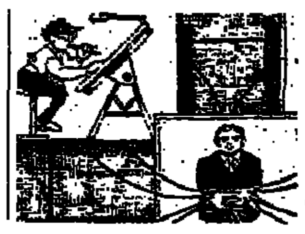

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World Business Newspaper http://www.FT.com WEDNESDAY JULY 16 1997

US and Germany plan joint force to outreach Nato

The US and Germany plan to deepen military links by setting up a joint air defence unit of up to 600 troops that could operate in crisis regions beyond the borders of the Nato alliance. The proposal, modelled on the existing 5,000-strong Franco-German corps, reflects Germany's determination to cement a close military relationship with the US following the withdrawal of more than 200,000 US troops from Germany since the height of the Cold War. Page 14

Arafat asks EU pressure on Israel: Citing Israeli intransigence, Palestinian leader Yassir Arafat, speaking in London, called on the European Union to threaten economic sanctions against Israel in order to salvage the Oslo peace accords. Page 14

Officials named in Brazilian bond fraud: Twenty Brazilian politicians and officials, including three state governors and two mayors of São Paulo, its largest city, operated a "criminal scheme" of fraudulent bond issues which cost taxpayers R$237.9m ($221.2m), according to the head of a senate investigation. The report also cited 161 financial organisations. Page 7; World stocks, Page 32

US retail sales, lifted by figures from car dealers, rose 0.5 per cent in June, reversing three straight declines. Yields on 30-year Treasury bonds, which move in the opposite direction of prices, stood at 6.56 per cent after the report, slightly higher than on Monday and above Friday's 6.52 per cent, the lowest yield this year. Page 7; International bonds, Page 20

Raisio, the Finnish food processor, saw its shares soar by 34 per cent after it unveiled a North American licensing deal for its cholesterol-cutting margarine, Benecol, with a division of Johnson & Johnson, the US consumer and health care products group. Page 15

Kia, South Korea's third-largest carmaker, averted possible bankruptcy when creditor banks agreed emergency loans. It was the third rescue of a Korean conglomerate since April when Korean banks decided to prevent more collapses following the bankruptcy of the Hanbo and Sammi steel groups. Page 15

Drinks merger battle heats up: Merger-minded Guinness and Grand Metropolitan of the UK seized the initiative in the face of opposition from Bernard Arnault of the French group LVMH, and released details of talks between the three about a possible break-up of LVMH's Moët Hennessy business. Page 15

Cambodian election pledge: Cambodia's Hun Sen, who ousted his co-prime minister in a coup last week, said elections will be held as agreed on May 23 next year.

Milosevic becomes Yugoslav president

Serbia's Socialist strongman Slobodan Milosevic, left, was appointed president of Yugoslavia by the federal parliament in a move that allows him to maintain his hold on power for another four years. Barred by the Serbian constitution from a third term as president of Serbia, he transferred his power base to the Yugoslav presidency backed by Montenegrin allies. Page 3

Fresh allegation on US political funding: US Senator Fred Thompson, chairman of hearings into campaign finance abuses, said the committee had uncovered documents showing that a foreign citizen, understood to be British, had offered a $100,000 donation to the Democratic National Committee in exchange for a meeting with US policy officials about Taiwan. Page 7; Editorial comment, Page 13

Citicorp, the US bank which earns most of its profits in emerging markets, announced cost-cutting as it warned of a squeeze in global corporate lending. Page 15

The World Bank disbursed nearly $20bn in loans to developing countries in the year to June 30, up 4 per cent from the previous 12 months, but a re-examination of lending policy meant that the number of loan approvals fell. Biggest borrowers were China ($2.8bn), Russia ($1.7bn), India ($1.5bn) and Argentina ($1.5bn).

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	7,982.08	(-20.90)
NASDAQ Composite	1,531.90	(+8.02)
Europe and Far East		
CAC40	2,950.78	(+9.11)
DAX	4,121.13	(-3.06)
FTSE 100	4,899.3	(+41.9)
Nikkei	20,069.41	(-159.31)

US LUNCHTIME RATES

Federal Funds	5 9/16%
3-mth Treas Bills: Yld	5.186%
Long Bond	100 1/32
Yield	6.557%

OTHER RATES

UK: 3-mo Interbank	6 31/32%	(same)
UK: 10 yr Gilt	101 1/32	(101 3/32)
France: 10 yr OAT	100.08	(100.74)
Germany: 10 yr Bund	102.74	(103.56)
Japan: 10 yr JGB	104.7102	(104.9642)

NORTH SEA OIL (Argus)

Brent Dated	$17.915	(17.84)

GOLD

New York: Comex		
Jul	$318.3	(320.1)
London:		
close	$320.15	(320.75)

DOLLAR

New York: lunchtime		
£	1.67385	
DM	1.80135	
FFr	6.08355	
SFr	1.47985	
Y	115.65	
London:		
£	1.6745	(1.6883)
DM	1.8003	(1.7909)
FFr	6.0795	(6.046)
SFr	1.4777	(1.4744)
Y	115.40	(113.8)
Tokyo close:	Y 114.15	

STERLING

DM	3.0145	(3.0236)

Planned $850m alliance with LTCB will exploit Tokyo's Big Bang

SBC looks to Japanese tie-up

By Gillian Tett in Tokyo and John Gapper in London

Swiss Bank Corporation and Long-Term Credit Bank of Japan yesterday announced plans to create a joint investment banking and asset management business in Japan.

The deal – expected to involve an investment of about $850m by SBC – is the most comprehensive banking sector alliance between a Japanese and non-Japanese group.

The collaboration will focus on three joint ventures. One will link the existing investment banking operations of SBC Warburg in Japan with the securities affiliate of LTCB into a new merged unit. This is the first time a foreign group has fully merged its investment banking operations with a Japanese partner in Japan.

In addition to their planned joint asset management venture, the two groups also hope to set up the country's first private banking operation.

The deal marks a further expansion for SBC in investment banking across the world after its takeover two years ago of S.G. Warburg Group, and its $600m purchase in May of Dillon Read, the Wall Street investment bank.

The bank has expanded heavily in investment banking as an alternative to the low returns it has achieved from domestic retail banking in Switzerland. SBC Warburg is among the top European investment banks with global ambitions.

The deal demonstrates the growing interest in Japan's proposed Big Bang financial deregulation reforms among western banks.

SBC and LTCB, Japan's second largest long-term credit bank, said they forged the alliance to take advantage of opportunities from Big Bang.

Mr Katsunobu Onogi, LTCB president, said: "This strategy realises one objective – to take Japan to the world and bring the world to Japan. Our alliance with SBC is the perfect response to the opportunities provided by the Big Bang."

The proposed alliance, agreed in a letter of intent yesterday, is expected to be finalised in September.

As part of the deal, LTCB and SBC will purchase a 3 per cent equity stake in each other as a token of their commitment. A 3 per cent stake in LTCB and SBC is equivalent to about Y32bn ($280m) and Y75bn respectively.

LTCB is also seeking board approval for raising of Y200bn of new capital, including Y130bn worth of preferred stock. SBC hopes to purchase half of the preferred stock.

The moves will leave SBC and LTCB among the largest five shareholders in each other.

SBC's total investment will be almost $850m, officials said yesterday – the largest investment it has undertaken since it purchased SG Warburg, its investment banking arm, in 1995. By comparison the purchase of Dillon Read, the US investment bank, earlier this year was only around $600m.

SBC said the scale of the agreement reflected its determination to become a big player in Asia and its hope that Big Bang would create new opportunities in Japan.

The Japanese government yesterday welcomed the link-up, saying it would promote confidence in Japan's financial system and was an inevitable result of Big Bang.

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Bold experiments, Page 16

Gianni Versace, who was murdered yesterday, pictured at the unveiling of his fall/winter 1997-98 collection in Milan earlier this year. He was fatally shot outside his mansion (left) on Ocean Drive, Miami Beach, Florida. His family fashion empire had sales of L1,500bn ($875m) in 1995 and was due to be listed on the Milan and New York stock exchanges later this year. The four fashion brands – Gianni Versace ready-to-wear, Versace jeans and the Istante and Versus sportswear labels – are sold in 270 Versace shops around the world and in many department stores

Versace murder a blow to family fashion empire

By Henry Hamman in Miami and Paul Betts in Milan

The Italian fashion designer Gianni Versace was shot dead on the front steps of his Miami Beach oceanfront mansion yesterday, apparently the victim of a targeted murder.

The shooting is a blow to the L1,500bn-a-year ($875m) Versace family fashion empire, and could throw into doubt plans to list the group on the Milan and New York stock exchanges in the next 12 months. A close associate of Mr Versace said his sister Donatella would probably take charge of the fashion side of the business since she is already responsible for Versace's less expensive "Versus" line of clothing. The business itself is run by Mr Versace's brother Santo.

Mr Versace was returning from a restaurant near to his Miami Beach mansion shortly before 9am local time when he was shot twice in the head by an assailant who police described as a white male aged between 20 and 25. The killer walked away from the scene.

Mr Seymour Gelber, Miami Beach mayor and Mr Alex Pinelas, Metropolitan Dade County mayor, both appeared at a police press conference, indicating concern the killing could renew fears about the region's safety.

Mr Pinelas described the killing as "an extraordinary occurrence and not just a random robbery". That view was reinforced by Mr Richard Barreto, the Miami Beach police chief, who said: "I believe that he was targeted."

The shooting took place on Miami Beach's stylish Ocean Drive, a tourist mecca lined on the west by cafes and small Art Deco hotels and facing the Atlantic Ocean on the east.

The fashion designer was intimately associated with the resurrection of Miami from a long economic decline, and had helped to establish its international reputation as a

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MCI chief says BT knew of investment strategy

By Mark Suzman in Washington and Alan Cane in London

Mr Timothy Price, one of the senior MCI executives whose resignation British Telecommunications is believed to be seeking, said yesterday he expected to be running the US company "for a long time to come".

He also claimed that the UK company had been fully aware of MCI's investment strategy.

BT is believed to want the resignation of Mr Price, MCI president and chief operating officer, and Mr Douglas Maine, chief financial officer, after the US group issued an unexpected profits warning last week.

It predicted larger than expected losses as a result of delays in breaking into crucial US local telephone markets. BT said it was surprised by the size of the potential losses. MCI said its local telephone business would lose $800m rather than the expected $400m this year, and more next year.

Mr Price said, however, that BT had full knowledge of MCI's investment plans. "The two companies' management teams working together came up with our plan. We presented it to our respective boards who reviewed it and then executed it," he said. "That is what you are seeing in place today."

The two companies plan to merge to form Concert, the first truly global telecoms operator. Mr Price said both partners had agreed that in spite of the heavy costs, breaking into the lucrative US local market remained their priority. He said MCI had no plans to cut investment.

"We're going to be aggressive about it," he said. "We think it is a great opportunity."

Speaking at a briefing on competition in the local US phone market at the Washington-based Economic Strategy Institute, he reiterated that

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Calculating the cost, Page 19

NatWest considers shake-up of investment banking arm

By John Gapper in London

National Westminster Bank is considering reshaping of NatWest Markets, its investment banking arm, in response to pressure from institutional investors who have been highly critical of the bank's performance.

Directors of NatWest Markets who are reviewing its future are likely to recommend to the bank's board later this month that they scale it down by moving its corporate lending and treasury operations into the commercial bank.

The proposals, which are backed by Mr Derek Wanless, NatWest chief executive, would reverse the original blueprint for NatWest Markets when it was formed in 1992 as a joint corporate and investment banking operation.

However, it would also make it easier for the bank to sell NatWest Markets as a stand-alone entity in future, because it will have disentangled its lending relationships with large companies from those of the investment bank.

Moving treasury into a new corporate banking division could halve NatWest Markets' profits because its corporate finance, equities and bonds operations, which make up the rest of its investment bank, are far less profitable.

The review is unlikely to lead to the closure of any of the main UK operations of NatWest Markets. Directors expect about 100 of its 8,000 staff to lose their jobs, with these cuts largely occurring in its overseas operations.

NatWest has been under pressure from investors as a result of its loss of £77m ($130m) due to unauthorised option trading in March. This led to the resignation of Mr Martin Owen, chief executive of NatWest Markets, in June.

The restructuring, which NatWest intends to announce with its first-half results on August 5, is seen as a means of showing investors that it gains a small proportion of earnings from pure investment banking, which is lowly valued.

Some senior NatWest Markets managers are still arguing that the derivatives side of foreign exchange trading should be co-managed by the investment bank. This could allow NatWest Markets to retain an element of the earnings.

Although the move may be seen by some investors as largely cosmetic, they are likely to welcome the implied message that NatWest regards it as a less important part of its strategy, and may eventually be prepared to sell it.

However, the move would be against the recent trend among European commercial banks with investment banking operations. For example Credit Suisse has recently completed the integration of its corporate banking and investment banking arms.

Some bankers say it has proved harder for commercial banks to use their lending relationships to gain investment banking business than expected, and mergers have caused tension among high-paid investment bankers and lower-paid bankers.

A headhunting firm to identify a new chief executive for its investment banking arm has been appointed.

The bank would not comment on its strategic review.

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Spectre of violence as Basque separatist group plans weekend demonstration in San Sebastian

Fears mount as Eta calls for rally

By Tom Burns in Madrid

Within 24 hours of massive demonstrations throughout Spain against Eta, supporters of the Basque separatist group raised the political temperature yesterday with plans for a pro-Eta weekend rally in San Sebastian, the resort city close to the French frontier and a stronghold of Basque radicalism.

The spectre of sectarian violence in the northern Basque provinces comes in the wake of an unprecedented mood of anger against separatist violence that was sparked off by the murder by Eta last Saturday of Mr Miguel Angel Blanco, a councillor of a small Basque town.

Officials said yesterday the government was preparing a series of laws to crack down on Basque radicalism.

They said parliament had to be *responsive to the millions who* over the past days had called for tougher action against Eta.

In a radio interview Mr Jaime Mayor Oreja, the interior minister, said new laws could help police actions against offences in the category known as "apology of terrorism".

Such measures are aimed specifically against Herri Batasuna, Eta's political wing, which enjoys considerable support in certain areas of the Basque country.

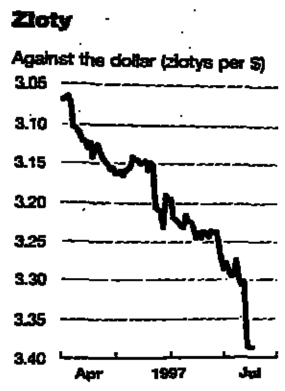
Fears of a growing confrontation were expressed by a civic group called Elkarri, which is backed by both moderate and radical Basque nationalists and seeks a negotiated solution to the violence.

Elkarri criticised the government for whipping up popular feelings and warned that "the doors have now been left wide open for a spiral of violence".

Mr Mayor Oreja said there would be no talks with Herri Batasuna until Eta had "surrendered its arms" or until it had completely severed its links with the gunmen. "I have the moral certainty that Eta and Herri Batasuna are one and the same thing," the interior minister said.

Saturday's rally in San Sebastian is being organised by Herri Batasuna and is clearly confrontational, for it deals with the very same issue that led to Mr Blanco's murder. The rally has been called to demand the transfer of the 502 jailed members of Eta to prisons in or near the Basque country. The councillor was shot dead after the government refused to meet Eta's demands to regroup the separatist prisoners.

In a grim reminder of further shootings, a councillor in the town of Renteria, close to San Sebastian, was threatened with death in wall graffiti yesterday. Like Mr Blanco, he belongs to the governing Popular party of prime minister Mr José María Aznar.



Zloty suffers sharpest fall

By Christopher Bobinski in Warsaw and Simon Kuper and Greta Steyn in London

The zloty yesterday suffered its sharpest one-day fall ever as Poland caught contagion from the recent devaluations in emerging markets.

The Polish currency dropped 4 per cent and was fixed just 1.3 per cent above the bottom of its 7 per cent trading band set by Poland's central bank. The zloty closed at 3.5080/53 to the dollar, down from 3.3790/30 on Monday, and at 1.9560/860 to the D-Mark, down from 1.8790/25.

Foreign exchange analysts said the zloty was under pressure after the Czech, Thai and Philippine devaluations since May. They said the zloty was vulnerable because Poland's current account deficit had risen to 4 per cent of gross domestic product, and because of economic damage caused by recent floods.

Mr Carlo Daurignac, currencies analyst at Credit Agricole Indosuez, said local investors had yesterday sold zlotys in the forward market to protect themselves from a sharp fall in the currency.

Traders noted that the central bank had not intervened to support the zloty yesterday, although the bank is considered loth to devalue.

Mr Marcus Rodlauer, the International Monetary Fund representative in Warsaw, said: "The very large drop in the zloty has been excessive, given that Poland's macroeconomic situation is still sound".

The central bank's trading band "should stand", he added, forecasting a zloty rebound.

But Mr Avinash Persaud, head of currency research in Europe at J P Morgan, said that in an environment of contagion, central banks could do little to reverse the flow of funds out of a country.

The zloty fell in thin trading as the government was discussing by how much to ask parliament today to increase this year's budget deficit to help fund relief for victims of the floods. These have so far killed 38 people.

FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850. Fax ++49 69 596 4481. Represented in Frankfurt by J. Walter Brand, *Wilhelm J. Brüssel, Colin A. Kennard* as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. The shareholder of the Financial Times (Europe) GmbH is Pearson Overseas Holdings Limited, 3 Burlington Gardens, London, W1X 1LE. Shareholder of this company is Pearson plc, registered at the same address
GERMANY:
Responsible for Advertising content: Colin A. Kennard. Printer: Hürriyet International Verlagsgesellschaft mbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu Isenburg ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: P. Maravigia, 42 Rue La Boétie, 75008 PARIS. Telephone (01) 5376 8254. Fax (01) 5376 8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.
SWEDEN:
Responsible Publisher: Hugh Carnegy 468 618 6088. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

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Defiant Haughey survives tribunal

By John Murray Brown in Dublin

Mr Charles Haughey, Ireland's enigmatic former leader, was booed by some and clapped by others as he emerged to fight another day, despite admitting he received I£1.3m ($2m) from a leading businessman while he was prime minister in the late 1980s.

In a two-hour cross examination by a government tribunal into the payments-to-politicians scandal, Mr Haughey said he had no knowledge of the transactions while he was prime minister, adding his accountant, the now deceased Mr Des Traynor, had "complete discretion" to act on his behalf.

Mr Haughey, who led Ireland four times between 1979 and 1992, when he resigned over a telephone bugging scandal, received I£1.3m from Mr Ben Dunne, former executive chairman of the Dunnes Stores group between 1987 and 1991, personally accepting three separate cheques for I£210,000 at his Abbeville mansion in county Dublin.

In front of a packed and increasingly incredulous public gallery, Mr Haughey maintained he had no "specific" knowledge of his financial difficulties in the late 1980s when Mr Traynor approached various businessmen for financial support. He said his recollection of events was "remote and confused".

Asked if he had not been "economic with the truth", he said: "I hate to use that phrase. It has been flogged to death." At one point in answer to a similar question he said: "To the extent it's not a full account that is correct."

In a performance at times contrite but ultimately defiant, the 71-year-old former Fianna Fail leader insisted his financial affairs "were peripheral to my life".

However on the 16th day of public hearings into the Dunne's Payments Tribunal, Mr Haughey conceded he had changed his evidence to the tribunal story three times in 10 days, first denying the payments, then stating he was the beneficiary "as a matter of probability", before admitting to the payments in full last Wednesday.

The first details of the payments only emerged after a separate legal row between Mr Dunne and his family trust.

Despite his mansion, his yacht, his race horses and his private island off the Kerry coast Mr Haughey maintained he did not have a lavish lifestyle. "My work was my lifestyle. When I was in office I worked every day all day. There was no room for any sort of extravagant life style."

"He tells a good lie," said one farmer sucking on his pipe. "It's desperate. It's a disgrace that he tries to blame the whole thing on his accountant, who is dead," said another man, before Mr Haughey emerged to be whisked off by his chauffeur-driven official car, one of the perks for ex-prime ministers.

OBITUARY: GIANNI VERSACE

Designer who made haute couture fun

For Gianni Versace, who *was shot dead yesterday outside* his Florida mansion, fashion, the means by which he captured the attention of the world and made a fortune along the way, was all about fun. Some might think it was about good taste, about chic and elegance, but not Versace.

Used to the sneers of fashion editors – "so tarty", "so vulgar" – he never saw the point of good taste. "I don't believe in good taste," he said in a recent interview in his palazzo in Milan. "I don't believe in bad taste. I believe in quality and in fun, in things that make our life better or happier. A woman who is very sexy and fun is infinitely more appealing to me than one who is formally chic."

It was a palpable broadside against Italy's other world-renowned designer, Giorgio Armani, with whom he was regularly compared. Between them they bestrode the Italian fashion scene, providing a focus for two opposing camps of high style – the flamboyant, in-your-face, sensual and decadent in the Versace corner, versus the refined, elegant and "greige" in Armani's.

Kept in palazzos by the *rock and film star set*, with Elton John and Eric Clapton amongst his foremost fans, Versace attracted controversy from the day he launched the Gianni Versace label in 1978. Born on December 2 1946 in Reggio Calabria, one of the poorest parts of Italy, he learned the art of dressmaking from his mother, who ran the best atelier in the district.

He started his more formal career by designing for Italian fashion houses such as Complice, Genny and Callaghan, before branching out on his own in 1976. From then on he gave notice that here was a designer who saw no point in rules and was unhampered by convention. These were traffic-stopping clothes (Liz Hurley in a wisp of black crepe held together by safety pins), clothes for mistresses, clothes for the free and unafraid.

Drawing heavily on a wide range of references – Greek history, baroque images, Etruscan symbols, Medusa's head – no motif was too sacred to be spared the Versace treatment. He would juxtapose leather with silk, team cashmere with tweed, add rhinestone to denim.

What made his fashion *shows was the sense of risk* and edge.

Even his enemies, those for whom his style stood for everything they detested, conceded that he had brought new life to the previously rather staid world of haute couture. Versace's first couture collection in 1989, featuring rhinestone-studded dungarees and jeans, may have shocked the Paris fashion world but it certainly did not go unnoticed. Everyone conceded, too, that his craftsmanship was superb. Pick away at the seams, and you would find impeccably made jackets, skilful tailoring, little black dresses that are surprisingly flattering.

The business was a closely guarded family affair run by Gianni Versace with his sister Donatella, his acknowledged muse, and his brother Santo in charge of the finances. The four fashion brands – Gianni Versace ready-to-wear, Versace jeans and the Istante and Versus sportswear labels – were sold in 270 Versace shops around the world as well as in many department stores. The company also owns all the Versace perfume brands.

Versace: decadent designs courted controversy

For many years the business was surrounded by rumours – for some, the flamboyant lifestyle with the many palazzos, the luxurious new villa in Miami, and the extravagant promotions seemed out of step with the numbers of frocks that appeared to be sold. In recent years profits have undoubtedly been growing, but like Armani and many other Italian designers there were problems with the tax authorities. He appeared to shrug these difficulties off. The company was investing in new stores around the world and last year pre-tax profits were L175bn ($101m), up 13.6 per cent on the year before. Plans were afoot to take the company public later this year.

Just two weeks ago, in Florence for the menswear shows, he was in his usual provocative form, presenting a specially commissioned ballet under the stars in the Boboli gardens. He had Naomi Campbell swathed in sugar pink chiffon wafting amongst the ballet dancers, and he mixed impossibly beautiful boys with strange visual references to Midsummer Night's Dream. Quite what it was about it was hard to gauge, but for Versace that, too, would be beside the point. The point of it all was fun.

Lucia van der Post

Italy boosts new car sales

By John Griffiths

The spectacular success of Italy's new car sales incentive scheme helped lift total west European new car sales by 9 per cent last month compared with June 1996.

The Italian increase of 50.7 per cent more than compensated for a sales slump in France and left the total market for the first half of this year up 1.7 per cent year-on-year at 6,991,700.

Statistics from the European Automobile Manufacturers Association (ACEA) show the stimulus to the Italian market appears to be gaining momentum, leaving sales for the first half of the year 31.3 per cent higher at 1,312,400. The incentives campaign has promoted Italy to well above the UK as western Europe's second largest car market.

A lifting of gloom about economic prospects also stimulated June sales in Germany, by far western Europe's single largest car market. They jumped by 8.4 per cent on a year-on-year basis to 343,000, although sales for the first half, at 1,855,500, were still 2.8 per cent below the same period of 1996.

The French market, traditionally the second largest after Germany, plunged further into recession, as political and economic uncertainties compounded the ending of the country's own car sales incentives scheme. June's sales, at 93,200, were 30.7 per cent below the same month a year ago and for the *first half as a whole* they were 23.7 per cent lower.

WEST EUROPEAN NEW CAR REGISTRATIONS
January-June 1997

	Volume (Units)	Volume Change(%)	Share (%) Jan-Nov 96	Share (%) Jan-Nov 95
TOTAL MARKET	6,991,700	+1.7	100.0	100.0
MANUFACTURERS:				
Volkswagen group	1,227,852	+2.9	17.6	17.3
– Volkswagen	767,527	-2.7	11.0	11.5
– Audi	240,432	+13.5	3.4	3.2
– Seat	167,401	+10.2	2.4	2.2
– Skoda	52,492	+29.3	0.8	0.6
Fiat group*	880,863	+9.1	12.6	11.7
– Fiat	720,760	+12.3	10.3	9.3
– Lancia	91,434	-1.5	1.3	1.4
– Alfa Romeo	67,256	-5.1	1.0	1.0
General Motors	857,603	-3.2	12.3	12.9
– Opel/Vauxhall	822,588	-3.3	11.8	12.4
– Saab	31,791	+6.7	0.5	0.4
Ford group	795,697	-2.7	11.4	11.9
– Ford	786,377	-3.0	11.2	11.8
– Jaguar	9,320	+33.8	0.1	0.1
PSA Peugeot Citroen	761,985	-5.1	10.9	11.7
– Peugeot	440,243	-7.5	6.3	6.9
– Citroen	321,742	-1.6	4.6	4.8
Renault	659,149	-1.8	9.4	9.8
BMW group	421,879	+4.0	6.0	5.9
BMW	227,577	+3.4	3.3	3.2
Rover	194,302	+4.7	2.8	2.7
Mercedes-Benz	248,748	+2.1	3.6	3.5
Volvo	122,299	+23.7	1.7	1.4
Nissan	207,125	+7.8	3.0	2.8
Toyota	191,036	+10.5	2.7	2.5
Honda	111,212	+6.7	1.6	1.5
Mazda	96,393	-0.4	1.4	1.4
Mitsubishi	90,976	+6.4	1.3	1.2
Total Japanese	798,163	+8.2	11.4	10.7
Total Korean	134,909	+6.7	1.9	1.8
MARKETS:				
Germany	1,855,500	-2.8	26.5	27.8
France	784,500	-23.7	11.2	15.0
United Kingdom	1,053,800	+5.3	15.1	14.6
Italy	1,312,400	+31.3	18.8	14.5
Spain	510,900	+10.5	7.3	6.7

*VW holds 70 per cent and management control of Skoda.
†Includes cars imported from US and sold in western Europe.
**GM holds 50 per cent and management control of Saab Automobile.
‡ Fiat group includes Lancia, Alfa Romeo, Innocenti, Ferrari and Maserati
Source : ACEA (European Automobile Manufacturers Association) estimates. Figures are rounded.

Sharp sales rises during June in some smaller markets, notably Austria (up 31 per cent), and Greece and Sweden (up 23 per cent), also contributed to the overall *increase.*

ACEA's statistics, which are provisional, show that the Volkswagen group further strengthened its grip on the European market leadership last month, with its market share rising, year on *year, to 18.8 per cent from* 18.5.

Brussels sets agenda for new EU members

By Lionel Barber in Strasbourg

The European Commission today unveils a radical blueprint for managing the entry of former communist countries from central and eastern Europe into the European Union early next century.

The blueprint recommends opening negotiations early next year with six countries as well as far-reaching changes in the Common Agricultural Policy, regional aid and the work of the Commission itself.

In a departure from the expansive era of the former Commission president, Mr Jacques Delors, when the Commission's power expanded in step with ever bigger EU budgets, the Agenda 2000 document calls for a new Brussels culture.

Tight national budgets – reinforced by the discipline of the planned single currency – will force the Brussels based executive to identify "core functions". This means using EU funds more effectively, with the Commission becoming more of a regulator than an initiator of EU legislation.

Agenda 2000 also calls for more devolution of administrative functions, either to executive agencies reporting *to Brussels, or to national* governments working with the Commission, or even to non-governmental organisations or other private agencies working on contract.

There is a call for a shake-up in the organisation of the Commission to cope with the expansion of the EU from 15 to more than 20 members. This means rewarding merit, streamlining directorates, breaking down fiefdoms, and strengthening the power of the Commission president. Agenda 2000 says the internal review should begin forthwith in order to prepare for the next Commission due to take over in 2000. One idea is to streamline responsibility for external relations. Today, five out of the 20 EU Commissioners deal with trade and political relations.

Last night the Commission confirmed that it would recommend that six countries are ready to begin accession negotiations: the Czech Republic, Estonia, Hungary, Poland and Slovenia, plus Cyprus which was already on the short-list.

EU leaders will have the last word on the enlargement package, and may decide to invite some or all of the disappointed central and eastern Europeans to join the accession negotiations, as Mr Niels Helveg Petersen, Danish foreign minister, *suggested yesterday.*

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EUROPEAN NEWS DIGEST

Çiller ally quits party

Mrs Tansu Çiller, the former Turkish prime minister, suffered a damaging blow with the resignation of one of her closest supporters in the centre-right True Path party. Mr Doğan Güreş, a former hardline general before entering parliament as a True Path MP in 1995, is the most prominent of a series of defectors who have left the party since Mrs Çiller's government alliance with the Islamist Welfare party collapsed in June. True Path had 135 MPs in 1995 but now has 95.

Mrs Çiller's future in politics is now being questioned as her party continues to haemorrhage. Political commentators are unsure whether Mr Mesut Yilmaz, the new conservative prime minister, can attract the True Path defectors to his centre right Motherland party or whether the defectors will try to oust Mrs Çiller and revive their party, thus exacerbating divisions in the conservative movement. *John Barham, Ankara*

■ GERMAN POWER

Court curbs suppliers

The German federal supreme court ruled yesterday that the country's large power supply companies should not acquire minority stakes in local distributing companies which they already supply with electricity and gas through long-term contracts.

Two landmark rulings against RWE and a subsidiary of PreussenElektra restored anti-monopoly decisions by the federal cartel office that had been overturned on appeal to a Berlin court. In yesterday's judgment, the supreme court found that the cartel office had been right to prevent RWE acquiring just under 50 per cent of Stromversorgung Aggertal, a company formed to distribute electricity in a region east of Cologne. RWE had contracted to supply Aggertal with electricity for 20 years.

The court also backed a cartel office ban on Hastra, a PreussenElektra subsidiary, and the Hanover city utility taking minority stakes in a company to supply the town of Garbsen near Hanover with gas and electricity while having a 20-year supply contract with the newly founded entity.

Yesterday's decision should put a stop to further links between Germany's big power producers and local distributors. The cartel office said about six cases had been in abeyance, waiting for the supreme court judgment. *Peter Norman, Bonn*

■ DUTCH HOLOCAUST VICTIMS

Big insurer honours claim

Aegon, the second-largest Dutch insurer, said yesterday it would honour a claim by a relative of Nazi war victims "because it seemed the right thing to do". The last payment to descendants of Dutch Holocaust victims were settled some 30 years ago, but many files have been reopened following widespread controversy about lost Jewish assets in recent months. This case may trigger a string of fresh claims.

The claimant was identified in Dutch newspapers as Mr Dick Polak, a 73-year-old businessman who lives in Tel Aviv. He said his parents paid Fl 35,000 in 1942 for two policies from the Dutch Olveh insurance company which was later swallowed by the Aegon group.

Mr Ton Elias, spokesman for Aegon, said that neither the company nor Mr Polak had found records of the contracts. "From a strictly legal point of view, we don't have any obligation to honour the claim, but the story sounds serious and we feel that paying is the decent thing to do in this particular case," he said. *Barbara Smit, Amsterdam*

■ HUNGARIAN PENSIONS

Parliament votes for reform

Hungary's parliament yesterday approved a package of bills on a drastic overhaul of the pension system from the beginning of next year. It will become the first country in the region to overhaul its Communist-era pension system. Poland plans to begin a similar reform in 1999.

The government said earlier that demographic changes were likely to make it impossible to finance the present system over the long term and the introduction of private funds would also discourage currently widespread evasion of contribution payment.

The new regulation supplements the antiquated "pay-as-you-go" system, operated by the social security pension fund, with private funds from which employees will receive 25 per cent of their pensions in the future. *Reuter, Budapest*

■ CHANNEL TUNNEL

Strike threat at Eurotunnel

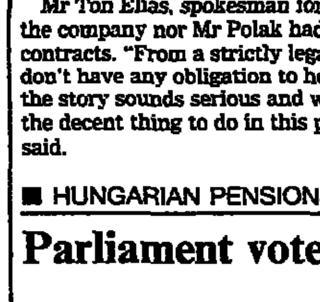
Trade unions at Eurotunnel, the Channel Tunnel operator, are threatening to stage a one-day strike on July 23, accusing management of ignoring their grievances over salaries and working hours.

Union officials said yesterday they hoped to begin negotiations with management and reach an agreement before that date on their demands for higher salaries, bonuses and a reduction in the working week to 35 hours from 37½.

The officials said a strike was not a certainty in any case as unions may decide to carry out other forms of protest such as demonstrations. A decision on the form of protest would be announced at a news conference tomorrow, they said. *Reuter, Paris*

ECONOMIC WATCH

Inflation springs surprise



Swedish inflation rose by 0.1 per cent in June from a month earlier, surprising analysts who had been forecasting a 0.2 per cent drop. The national statistics agency said the data for June brought the country's annual inflation rate to 0.8 per cent at the half year, up from 0.3 per cent in May. The European Union harmonised inflation index rose by 0.1 per cent from May and was up 1.7 cent from June 1996. Swedish bond prices declined with the disappointing news, reflecting the market's concern about creeping underlying inflation. *AP-DJ, Stockholm*

■ Italy's industrial *producer* price index rose 0.1 per cent in May from April and was up 1.1 per cent over the same month in 1996, the state statistical institute reported.

■ German wholesale prices fell 0.3 per cent in June from May but climbed 2.6 per cent from June last year, the federal statistics office said yesterday. The figures, which are usually volatile, were roughly in line with *expectations.*

Wavering support in Montenegro prompts early action by parliament

Milosevic voted Yugoslav leader

By Guy Dinmore in Belgrade

Mr Slobodan Milosevic, Serbia's Socialist strongman *for the past 10 years*, was yesterday appointed president of Yugoslavia by the federal parliament in a move that allows him to maintain his hold on power for another four years.

Barred by the Serbian constitution from seeking a third term as president of Serbia, Mr Milosevic transferred his power base to the Yugoslav presidency backed by Montenegrin allies.

Montenegro is the only other republic to have remained in the federation after its violent disintegration and the departure of Slovenia, Croatia, Bosnia and *Macedonia*.

The 138-member lower house of the Yugoslav parliament approved Mr Milos*evic's appointment* by 88 votes to 10. The vote in the upper house was 29-2. Some opposition parties main*tained their long-standing* boycott of the assembly and did not attend.

The vote was held a week *earlier than expected*, apparently because it was feared a power struggle within the *Montenegrin* leadership would break up their wavering support for Mr Milosevic.

Tension between the two countries has been rising since Mr Milo Djukanovic, Montenegro's prime minister, attacked Mr Milosevic last February for holding back on political and economic reforms.

The Yugoslav presidency has largely figurehead powers, and commentators expect Mr Milosevic to try to change the constitution to enhance his position in spite of opposition in Montenegro.

Mr Milosevic takes up his new office on July 23. Belgrade media reports suggest Serbian presidential and parliamentary elections will be held on September 14.

The *Socialists* remain the strongest party in Serbia despite the dire state of the country's economy and its *international isolation following* the wars in Bosnia and Croatia.

Mr Milosevic, who main*tains an iron grip on* the only nationwide television and radio network, has had his position enhanced by the *break-up of the Zajedno* (Together) coalition. Zajedno mounted three months of street demonstrations *last* winter in protest against the annulment of their victories in local elections last November.

Mr Vuk Draskovic, the pro-monarchist leader of the opposition Serbian Renewal Movement, said nothing had changed with Mr Milosevic's appointment. "From today he is formally ruling what he ruled informally."

Mr Draskovic has declared his candidacy for the Serbian presidency but, with other opposition parties, is threatening to boycott that election and the parliamentary polls if electoral conditions, such as control of media, are not satisfactory.

European governments are putting pressure on Mr Mil*osevic to allow the Organisa*tion for Security and Co-operation in Europe (OSCE) to monitor the cam*paign in order to prevent* a repeat of the alleged fraud and biased media coverage that helped Mr Milosevic win in 1992.

Mr Milosevic's Socialist party has not yet named its candidate for the Serbian *presidency. Mr Zoran Lilic*, the previous Yugoslav president and a loyal ally of Mr Milosevic, is one of several *possibilities*.

● A bomb exploded outside the flat of an OSCE monitor late on Monday evening in Banja Luka, the largest Serb-held town in Bosnia, the second night in a row that the organisation was apparently targeted, agencies report from Sarajevo.

The overnight bombing heightened concern about a *possible nationalist backlash* against international staff working in Serb territory.

An OSCE spokesman said: "We are *looking into the pos*sibility that this is a more orchestrated campaign".

The organisation, which is running *September's* local elections in Bosnia, tightened security precautions for its people in Serb-held areas.

Serb anger was sparked by moves against their war crimes suspects in the past two weeks. Tension *increased on Monday, when* the international war crimes tribunal in The Hague sentenced Mr Dusan Tadic, a Bosnian Serb, to 20 years in jail for atrocities in prison camps in north Bosnia.

Slobodan Milosevic reviews his troops. He is expected to seek to enhance his political power as president in spite of opposition in Montenegro Reuter

Knives out in big Russian bank scandal

By Chrystia Freeland in Moscow

A $500m banking scandal which threatens to splinter *the Russian ruling establish*ment took a new twist yesterday when Mr Andrei Vavilov, a former deputy finance minister, returned to Moscow to deny any wrongdoing in the affair.

Mr Vavilov issued his denial in answer *to accusa*tions made on Monday by Mr Sergei Dubinin, the central bank chairman, whose charges are being *pursued in* a criminal investigation.

In a written statement, the central bank chief accused *Mr Vavilov of authorising* government deals when he was in the finance ministry which allowed Unicombank, *a medium-sized Russian* commercial bank, to misappropriate half a billion dollars of state money.

"*I have been confronted* with clear symptoms of the disease of corruption," wrote Mr Dubinin, in a detailed *account of the disappearance* of $337m intended to finance the production of MiG jet fighters and $275m earmarked to pay civil service wages in the Moscow region.

In an emotional conclusion Mr Dubinin, who has in the past shied away from open political disputes, asked: "Will we manage to bring this case to court? Will we manage to return the money to the state? ... I am convinced this affair will become, for all of society, a public test of the *effective*ness of the state in enforcing its laws."

Mr Vavilov, who returned from holiday to *defend* himself in Moscow yesterday, stoutly denied the charges, saying "all accusations *against me are groundless*". Unicombank has dismissed Mr Dubinin's allegations as "absurd".

*Although multimillion dol*lar embezzlement accusations have become almost commonplace in Russia's *wild new market place, this* week's imbroglio has captured the interest of jaded Russian society. Described by one Moscow daily as "Russia's biggest ever bank*ing scandal", the affair is* being viewed as a turning point in the formation of Russia's post-Communist *political and economic elite*.

Last year, united by the threat of a Communist victory in presidential elec*tions. Russia's leading banks* and corporations formed a tight alliance. But, as the Communist threat has *waned, their friendships* have frayed.

The open attack on Mr Vavilov, long one of the *most powerful figures in* Russian high finance, is seen as a sign that the growing hostility among the country's mightiest business and political interests has erupted into all-out war.

The charges against Mr Vavilov are an oblique blow against Mr Vladimir Potanin, a former deputy prime minister and now a *banking magnate. Mr Vavi*lov is a senior executive in Mr Potanin's Oneximbank group.

Once a close ally of Mr Anatoly Chubais, a top reformer in the Russian cabinet, Mr Potanin has alienated many of his former financial allies and seems to have fallen out of favour with the government.

"This is a form of dishonourable competition from our economic and political rivals," said Mr Modest Kolerov, an Oneximbank spokesman. "It is very unfortunate that the central bank has been dragged in."

Izvestia, the Russian daily which is now partially owned by Oneximbank, speculated in today's edition that *the affair had been orches*trated by Gazprom, Russia's natural gas monopoly. The newspaper alleged that Gaz*prom was seeking to punish* the banking group for its failed attempt to secure seats on Gazprom's board of directors last month.

Slovenian MPs clear last-minute EU hurdle

By Jack Grimston in Ljubljana and Kevin Done in London

Slovenia took a crucial step towards inclusion in the next wave of European Union expansion yes*terday, when its parliament rati*fied the country's EU association agreement.

The treaty, a crucial pre-condi*tion for the start of talks on full* membership, has been the subject of intense political debate for more than a year.

The vote in Ljubljana came as the European Commission formally agreed to recommend that EU membership talks should begin next year with *Poland, Hungary*, the Czech Republic and Estonia as well as Slovenia. The EU has previ*ously agreed to begin talks with* Cyprus.

Ratification was finally supported by 70 votes to three in the 90-member national assembly, parliament's lower house.

Slovenia, which gained its independence from the former Yugo*slavia in 1991, is the most prosper*ous of the former communist states of east Europe, but it has been slow to ratify the association agreement, which has demanded controversial changes in the constitution to allow the ownership of property by foreigners.

The Slovenian parliament broke the impasse on Monday, when it overwhelmingly endorsed the nec*essary changes to the constitution.* The changes had to be made after the constitutional court declared last month that the EU association *agreement* was illegal as it commited the country to open its property market to EU citizens when the constitution forbade this.

*The new clause says that for*eigners can own property under international agreements or other laws if such rights are granted on *a reciprocal basis*.

Opposition parties had claimed that the government of Mr Janez Drnovsek, the prime minister, *had sacrificed national inter*ests in signing the agreement.

They only offered their support for the measures, which required a two-thirds majority, after receiving guarantees that certain parts of the country would be protected from outside ownership.

The protective measures include the condition that property in some areas of natural beauty can *only be owned by those living per*manently in the area, and the new laws also grant public authorities pre-emptive purchase rights on *some property*.

As a political concession to gain opposition support, Mr Drnovsek said in June that he would submit *his government to a vote of no* confidence if the constitutional change and ratification were passed by July 15 and Slovenia was not included in the next round of EU expansion.

Mr Zoran Thaler, Slovenian foreign minister, said yesterday that "some politicians have used this issue to assault the government. But with ratification, we can really *start work on the content* and preparation of our approach to the EU."

Last week Slovenia failed to *qualify for the first round of Nato* expansion, but was picked out along with Romania as a front runner for the second wave of *enlargement*.

Algeria frees leader of Islamic party

By Roula Khalaf in London

Algeria's army-backed government yesterday released Mr Abassi Madani, leader of the banned Islamic Salvation Front (FIS), in a move the FIS said would help resolve Algeria's five-year conflict.

Mr Madani, whose party was stripped of an election victory in 1992, plunging Algeria into bloody conflict, was jailed for 12 years in July 1992 for undermining state security. Both the FIS and other Algerian opposition parties have repeatedly called for his release and that of Mr Ali Belhaj, his more radical deputy, now believed to be held in Blida, south of Algiers.

Mr Madani's release comes a week after Mr Abdelkader Hachani, the FIS number three, was freed from prison. Mr Hachani was sentenced last week to five years, the period he had already served. But he was stripped of his civil rights for three years. FIS representatives in Europe said yesterday it was not clear whether Mr Madani would be allowed to play a political role, and said his release might also be conditional.

Since cancellation of elections in 1992, the military-backed authorities have been bent on eradicating Islamist militants by force, while reshaping the country's political scene to ensure no opposition can again challenge the establishment.

This has been achieved through changes in the Algerian constitution barring parties from exploiting religion for political ends and increasing the powers of the president at the expense of the general assembly.

Algeria last month also held legislative elections which excluded the FIS and gave pro-government parties a majority in the assembly.

A FIS representative in Europe said yesterday: "We know they may have released Madani and Hachani just because they think the leaders no longer constitute a danger to them, and this will allow them to project an image of fairness and the return of the rule of law.

"Hachani cannot have political activities for three years and there may be conditions for Madani's release."

Nevertheless, the FIS said the move was a positive step by President Liamine Zeroual and hoped it would lead to negotiations on a political solution.

According to FIS leaders in exile, Mr Madani's release strengthens and gives a single voice to an organisation that has been plagued by internal dissent.

The Algerian government, however, insists the FIS has become irrelevant. The FIS military arm, which is known to attack military targets, no longer represents a serious threat to the regime.

But some opposition leaders in Algiers do not rule out the possibility of a deal between the government and Mr Madani, leading to a FIS call for a truce, perhaps eventually allowing rehabilitation of the party under another name.

FIS representatives in Europe also point out that the release of Mr Madani may be part of a conciliatory pattern, evidenced by President Zeroual's removal this week of the hardline head of the national gendarmerie.

FIS leaders remain sceptical Mr Madani can call for a truce without first securing the release of Mr Belhaj. There are also doubts that Mr Madani alone can make any significant contribution to ending the violence.

Much of the violence against civilians is blamed on the so-called armed Islamic groups (GIA), which do not appear to respond to a specific political leadership. The FIS has denounced such attacks and distanced itself from the GIA.

Police yesterday beat up fleeing Nairobi student protesters who are demanding constitutional reforms Reuter

Kenya students' protest continues

Students chanting "Moi must go" brought the centre of Nairobi, the Kenyan capital, to a standstill for a second day yesterday, as the political unrest triggered by President Daniel arap Moi's refusal to introduce constitutional reforms showed little signs of abating, Michela Wrong reports from Nairobi.

The students, who had been ejected from Kenya Polytechnic the day before after clashes with riot police, set up makeshift barricades on the central Haile Selaisse Avenue and tried unsuccessfully to force their way back on campus, now controlled by the security forces.

While milder than Monday's protests, the new clashes suggested that domestic opposition to Mr Moi, who has so far refused to repeal laws tilting forthcoming elections heavily in his favour, is growing rather than fading.

Mr Richard Leakey, a member of the still unregistered Safina party and part of the broad-based movement lobbying for change, said the next step would be to take the campaign for constitutional reform to Mombasa, hub of Kenya's well-developed tourism industry.

UN to unveil plans for radical reform

By Bruce Clark and Michael Littlejohns at the UN

Mr Kofi Annan, the United Nations secretary general, will today unveil an ambitious effort to streamline and redirect the world body – amid a crescendo of upbeat prognoses and warnings that the toughest problems lie beyond his control.

Mr Fred Eckhard, the chief UN spokesman, described the package as the start of a "quiet revolution" and one of its main authors, the Canadian businessman Mr Maurice Strong, said it should "unite the UN" around a radically changed agenda.

The package is expected to include a new cabinet-style administration for the UN secretariat, the merger of some departments, a reduction of unnecessary paperwork and cost savings designed to free up money for development.

However Oxfam, the British development organisation, expressed regret that Mr Annan had dropped earlier proposals to create a single humanitarian agency, including the UN High Commissioner for Refugees, the World Food Programme and parts of Unicef, the UN children's fund.

"We are disappointed that the humanitarian reform proposals are not bolder," said a statement by Oxfam's Washington office. It called on Mr Annan to appoint a "high calibre" emergency relief co-ordinator with the power to "win the turf wars" and argue the humanitarian case at the Security Council.

Mr Annan's efforts to transform the 185-member body into a better instrument for tackling global problems enjoys unwavering support from the US administration which secured his appointment. "My prediction is that [Annan] will deliver a good reform package," said Mr Bill Richardson, the US ambassador to the UN, who has worked to persuade a doubtful US Congress to pay off arrears and re-engage with the world body.

But UN observers have warned that most of the reforms demanded by sceptics on Capitol Hill are beyond Mr Annan's ability to deliver.

The "benchmarks" established by the US legislature later as a condition for paying off around $700m in arrears include a new system of contributions – cutting the US share from 25 per cent to 20 per cent.

Both this measure and the reform of more than a dozen UN agencies with their own financing arrangements can only be resolved through agreement among member states.

In particular, a new system of contributions and the streamlining of agencies dealing with issues like development, health, and refugees, will require delicate negotiations between the US and Japan – which has been increasing its share of the UN bill.

Netanyahu plans cut in budget

By Judy Dempsey in Jerusalem

Mr Benjamin Netanyahu, the Israeli prime minister, and Mr Yaakov Neeman, the new finance minister, will this week present to cabinet plans to reduce this year's budget by a further Shk600m ($167m) in a bid to cut the budget deficit to 2.8 per cent of gross domestic product.

Mr Neeman, who has promised a tight fiscal policy, yesterday held talks with Mr Netanyahu and Mr Jacob Frenkel, governor of the Bank of Israel, who is adamant about keeping monetary policy tight in order to hold inflation to between 7 and 10 per cent this year.

He may find it more difficult to meet this target following yesterday's release of inflation figures for June. It showed inflation 1.1 per cent higher than in May, pushing the annual rate above 10 per cent and damping hopes of a further interest rate cut.

The Finance Ministry wants to finalise the expenditure cuts before negotiations on next year's budget start next month. But already the Histadrut, the federation of trade unions, is flexing is muscles against any further cuts.

S Africa deal to lift gold mines output

By Roger Matthews in Johannesburg

South Africa's gold mines and the National Union of Mineworkers have broken new ground by signing an outline agreement which for the first time links pay to productivity. Mr Nick Segal, president of the Chamber of Mines, said yesterday the deal was "of historic proportions" and would enable the industry to break away from the protracted annual pay battle.

The agreement comes at a critical time with tens of thousands of jobs at risk following the sharp fall in the gold price this year. Gold accounts for 20 per cent of South Africa's exports, and the industry employs over 330,000 people.

Analysts say the fall in the gold price to $320 an ounce means nearly 60 per cent of the country's mines could be classified as "marginal", or loss-making. Gold output fell 10 per cent in 1995 to 522 tonnes, last year hit a 40-year low of 495 tonnes, and is on track this year for 480 tonnes.

Under the the deal, the NUM has agreed to aim for a rise in output of 90 tonnes in the year which began July 1, in return for pay rises of up to 25 per cent for the lowest paid, over each of the next two years. Most miners will receive increases of 9-10 per cent, just above the level of inflation, adding 5 per cent to total labour costs. Details will be negotiated at local level over the next week and concentrate on improving productivity and increasing the number of days worked each year.

"There is enormous scope for improving productivity, although it obviously differs from one mine to another," said Mr Segal. "To this must be added the 52 Sundays which are not worked each year, 26 Saturdays and 12 public holidays. This has been one of our biggest concerns for a long time. In some mines negotiations for changes to this pattern are well advanced, but we expect all of them to report back shortly so the deal can be signed."

Mr Segal said negotiations started five months ago. Although not triggered by the falling gold price, they had since taken on even greater importance.

"We have aimed to achieve the commitment at national level, and then seek endorsement through productivity deals at individual mines."

The next week is likely to be critical as union leaders seek to persuade members to back the deal. The owners must then decide whether there is sufficient evidence the 90 tonnes increase can be achieved for the pay rise to be triggered.

Mr J.P. Landman, an analyst at BoE NatWest Securities, said the deal was an important first, but there were still risks of labour unrest because of local opposition to central bargaining.

Brussels gives Boeing ultimatum on merger

By Emma Tucker in Brussels and Michael Skapinker in London

The European Commission said yesterday that Boeing had failed to address its competition concerns about the US aircraft manufacturer's proposed merger with McDonnell Douglas, and that it had given Boeing only a few more hours to come up with a better offer.

The ultimatum to Boeing to offer more substantial alterations to the merger or risk having it blocked by Brussels was issued following a meeting of the full college of 20 commissioners which backed without hesitation the tough stance of Mr Karel Van Miert, the competition commissioner.

"Unless the legitimate competition concerns of the Commission can be met and genuine choice maintained for purchasers of aircraft worldwide, the Commission could not approve the merger," said a spokesman. "Boeing has so far not agreed to measures which would meet these concerns and achieve that objective."

The statement came after negotiations to break the deadlock over the controversial deal – which will create the world's biggest aerospace and defence company – ended in the early hours of yesterday without result.

A committee of national competition experts – which voted to block the merger two weeks ago – will meet again in Brussels today to discuss the deal.

The advisory committee sided with the Commission view that an enlarged Boeing would have an overwhelming position in the civil aircraft market, making it difficult for Airbus Industrie, the European consortium, to compete. However, the US competition authorities had earlier cleared the merger without conditions.

The Commission's three main concerns focus on the extension of Boeing's dominance to cover 84 per cent of the existing global fleet of aircraft, the possible benefits Boeing would gain from government spending on McDonnell's defence activities, and the 20-year exclusive supply deals that Boeing has concluded with three US airlines.

Yesterday, the president of one of the carriers involved in one of these supply deals described the Commission's attitude as "naive".

Mr Gregory Brenneman, president of Continental Airlines, said his company would not change the substance of its agreement with Boeing, whatever the Commission decided. Continental has agreed to buy 35 wide-body aircraft from Boeing over 20 years.

Mr Brenneman said Continental had placed the order after vigorous competition between Boeing and Airbus. They had decided to buy from one supplier only as a means of reducing maintenance and training costs.

Mr Brenneman said the Commission's demand that Boeing end the exclusive agreements was "a request made out of not understanding the business". He said that if, as a result of Commission pressure, Boeing informed Continental that it was ending the exclusive nature of the agreement, "the practical implications would be zero".

Although the Commission had put pressure on Boeing to make its final offer yesterday, negotiations are expected to continue.

The Commission is not due to make a decision until July 23.

Japanese to start building ships in China

By Gwen Robinson in Tokyo

Kawasaki Heavy Industries, one of Japan's leading shipbuilders and heavy machinery makers, will begin production of small and medium-sized vessels in China next year in conjunction with a Chinese shipbuilder.

The move is the first entailing capital investment in Chinese facilities by a Japanese shipbuilder, and reflects China's growing competitiveness in shipbuilding.

It coincides with a downturn in Japan's domestic shipbuilding industry. In the last few years, KHI, like its leading Japanese rivals, has been hit by falling domestic orders and has attempted to reduce the cost base of its Kobe-based operations.

The company's move into China is also in response to the country's growing demand for tankers and other commercial vessels. KHI had earlier planned to begin production in China in 2000, but the volume of orders from a Chinese marine transport company persuaded it to advance its schedule by two years.

"It makes good sense. China is becoming more of a customer for companies like KHI, so why not produce in the local market?" said Mr Richard Whitehurst an analyst at SBC Warburg in Tokyo. Other benefits offered by the move included access to relatively low cost labour already trained in the country's growing shipbuilding industry, he said.

KHI will team up with Nantong Ocean Ship Engineering, a ship repair company it owns equally with the China Ocean Shipping group. The venture will build ships at a facility being constructed at the mouth of the Yangtze River in Nantong, Jiangsu Province. Initially, KHI will invest about Y5bn ($44m) in the venture and plans to produce about eight vessels annually. Production will start in September next year.

KHI last month announced it had secured a contract to produce motorcycles in China in co-operation with a Chinese company. They will be sold in the local market, where demand for Japanese motorcycles is surging.

Leading traders force financial services pace

By Frances Williams in Geneva

Emerging economies in Asia and Latin America are under pressure to agree measures to open their financial services markets to foreign competition as negotiators seek to make progress in World Trade Organisation talks on a global liberalisation pact.

Late on Monday Canada became the last of the so-called Quad group of leading traders – the other members being the US, European Union and Japan – to present a new offer in the talks which are due to conclude on December 12.

The concerted Quad move is designed to force the pace of the negotiations by setting an example to those more advanced developing countries that have so far held back from significant market-opening commitments.

Switzerland, Hong Kong and Bahrain have also put forward new or improved offers in the WTO talks. They are likely to be joined by Australia, Poland and possibly some others before officials meet tomorrow in Geneva to take stock of progress in this week's bilateral market access talks.

Canadian officials in Ottawa said they shared the concern of other Quad members to obtain better access to banking, insurance and securities markets in Asia and Latin America.

The US has made clear it will not subscribe to a multilateral deal unless good offers are forthcoming from emerging economies in these regions. Asian nations on the US target list include India, South Korea, Malaysia, Indonesia and Thailand.

The new US offer, put forward on Monday, would if confirmed grant virtually unrestricted foreign access to the US financial services market, the largest in the world. In particular, it removes the previous restriction which guaranteed access only to foreign providers of existing services.

The EU has improved its offer by lifting 12 current restrictions and limiting others. Japan is lifting restraints on the operation of foreign financial services companies.

Ottawa's offer guarantees non-discriminatory access for foreign banks, insurance companies and securities houses to the domestic market.

Germans in Bosnia gas venture

By Graham Bowley in Frankfurt

A division of Hoechst, Germany's biggest chemicals and pharmaceuticals company, has founded a joint venture in Bosnia-Hercegovina, in what it claims is the first important foreign investment in the region since the end of the war.

Messer Griesheim said yesterday it had bought a controlling stake in a company in Mostar to produce and market industrial gases. It said it would invest DM2m ($1.1m) to build a gas filling plant and to expand and modernise existing buildings.

The investment is a sign of growing confidence in the region. Although the initial investment is small by international standards, Messer hoped its business would grow as the fragile local economy recovered. The production of the gases, which are used in many industrial processes, underlines the potential demand from recovering industry in the region.

"Through our early commitment, we want to contribute to rebuilding the economy in Bosnia-Hercegovina after the war," said Mr Wilhelm von Storm of Messer.

The company, which is the biggest supplier of industrial gases in Germany, did not disclose how much it paid for its 51 per cent share in the joint venture, to be called Messer Mostar Plin. The remaining 49 per cent stake is to be held by its partner, Tehnoplin of Mostar, a company which was badly damaged during the war.

Messer already produces and supplies industrial gases in Croatia, Macedonia, Serbia and Slovenia. It employs about 1,000 in the central eastern European area and last year had sales of about DM300m. The gases to be produced in Mostar will supply the Bosnia region only.

The investment by Messer is the latest in a worldwide expansion plan which has seen it build new business in regions such as Asia, Latin America and eastern Europe. Last month, the group unveiled $132m in investment to expand its industrial gas and welding supplies operations in Venezuela.

The move is also the latest push by German business into central and eastern Europe. Germany's banks in particular, are competing aggressively for new business in the region. In May, Deutsche Bank, Germany's biggest, opened a representative office in Zagreb, its first in the former Yugoslavia.

Hauliers urge Brussels to curb lorry bans

By Charles Batchelor, Transport Correspondent

Road haulage groups are calling on the European Commission to clamp down on the growing number of lorry bans which they say are disrupting trade across the single market.

Sixteen European countries currently impose a total of 47 different bans covering Sundays, religious holidays, weekends and summer holidays, according to a study by the Dutch transport operators' association, Transport en Logistiek Nederland.

The bans apply to vehicles of different weights and for different periods depending on local customs and traffic conditions.

Poland imposes temporary bans when the temperature rises above 30°C because of the damage to road surfaces. Many bans are further complicated by exemptions for perishable goods and items such as newspapers and medical equipment.

"These bans are causing unnecessary delays and disruptions to the free flow of goods, particularly from countries on the edge of the European Union like the UK," said Mr James Hookham, policy director at the UK Freight Transport Association.

The FTA and other European associations are calling for exemptions for a core network of motorways and for the terms of the remaining bans to be harmonised. They are also urging that some bans are lifted.

"Some of the bans have been in place for more than 20 years, largely for supposed safety and environmental reasons," said Mr Hookham. "But modern vehicles cause only one-third of the emissions of 20 years ago and make much less noise. Roads have also been improved. Road safety is not helped by forcing lorry journeys into congested weekly periods."

The frustration caused by lorry bans has been added to by increasing numbers of trade union protests in countries such as France and Greece which have led to motorway blockages. As a result of the most recent French protests, an exemption allowing foreign lorry drivers returning home to drive on Sundays has been removed.

The Dutch transport association calculates the impact of bans in France on Dutch hauliers at Fl 120m ($60m) and puts the total cost of the Europe-wide bans at billions of guilders.

Hauliers who could make two 83-hour return journeys to Spain each week can now only make one journey after the removal of the Sunday exemption in France.

"Bans restrict the efficient use of people and equipment, leading to increased costs," said Mr Karel Noordzy, chief executive of the Dutch association. "Drivers are forced to drive further to get round bans or are prevented from driving. This reduces competition with other modes of transport and increases congestion when they are allowed to drive."

The FTA said bans also caused unnecessary and costly stopovers, often in areas without proper accommodation or security.

In the UK, where there were no bans, lorries accounted for only a small amount of traffic on on Sundays, the FTA said.

The weekend and bank holiday bans in France mean that in May and November lorries are off the roads for seven days in each month, almost one day in four.

Thailand appeals for Tokyo's help

By Ted Bardacke in Bangkok and Gillian Tett in Tokyo

Thailand's finance minister, Mr Thanong Bidaya, arrives in Tokyo tomorrow to devise with Japanese finance officials and bankers a credit package to help Thailand through its post-devaluation liquidity crunch.

For Japan and its banks, which have $37.55bn in outstanding loans to Thailand as of June 1996, the talks present an opportunity to assess what role they should play in stabilising the turbulent south-east Asian currency markets, which in the past two weeks has seen the Thai baht and Philippine peso devalued.

Both sides are cautious, arguing that they want to see the baht, down 16 per cent against the dollar since it was floated on July 2, settle before determining what kind of international assistance Thailand might need.

Japanese officials say they are unlikely to take any action in Thailand without the participation of the International Monetary Fund (IMF).

Thai officials say they have yet to make a decision about asking for further IMF help. The Fund now has a team in Thailand working on "technical" issues related to the management of a floating currency.

Last week Thai financial authorities said they were looking for between $10bn and $20bn in credit lines, but authorities in Tokyo say they have received no official requests for help and "there is certainly no firm decision yet".

Mr Hiroshi Mitsuzuka, Japan's finance minister, said: "We will continue monitoring Asian foreign exchange markets while keeping close contact with other Asian nations, and if necessary Japan will tie up with the IMF."

Mr Chatumongkol Sonakul, Thailand's permanent secretary for finance, said: "We are talking to a lot of people about a lot of things but we have not decided on a particular direction yet. Things may change for the better on their own but if the market doesn't take care of itself . . . then we could ask for financial assistance from the IMF."

'People are looking for an IMF-type programme'

Some Thai economists and foreign analysts say calm will not return to the Thai financial markets without a comprehensive post-devaluation adjustment plan, backed by substantial amounts of money. With as much as $25bn in private foreign debt maturing in the next few months and the Thai financial system under intense strain, large inflows of private capital are unlikely.

"People are looking for an IMF-type programme because there is no game plan at the Bank of Thailand or the Ministry of Finance," said Mr Ismail Dalla, president of Washington Asset Management and a former World Bank official specialising in capital market development. "This is not a Mexico-type problem but investors do need a stamp of approval."

Yet a request for IMF help would be seen as huge political defeat for the government of Prime Minister Chavalit Yongchaiyudh. Commercial bankers say the Mr Thanong's trip to Japan is the beginning of an attempt to raise money from sources who would attach fewer conditions than the IMF.

Some Japanese banking officials yesterday said that Japanese banks were likely to help provide support, if requested to by the Japanese government.

Most Japanese loans in Thailand are believed to have been extended to Japanese joint ventures and direct investment projects. Consequently, most banking analysts believe they are unlikely to represent a serious risk of default, thus lessening the urgency with which Japan would need to step in to help Thailand on its own.

Still, regional currency turmoil has given Japan some unforeseen opportunities. Some officials hope that if Tokyo can be seen to be leading a regional stability pact, it could greatly enhance the yen's prestige.

Wealth effect still eludes Taiwan

Stock market surge is failing to bring renewed confidence in economy

With a stock market again pushing record levels this week and a currency at its lowest point against the US dollar for eight years, Taiwan might seem to be one of the few Asian countries to have got its policy mix right in recent months.

In sharp contrast to Thailand and the Philippines, there has been little sense of economic crisis as the currency was gently allowed to fall against the US dollar.

But nor has depreciation turned out to be a panacea. Surging equity prices have done little to boost confidence in the economy as a whole.

Consensus Economics, which charts private sector forecasts, reckons the average expectation is for growth to pick up only modestly this year to 6.2 per cent from 5.7 per cent last year. This is below the government's own forecast of 6.3 per cent.

According to Mr Stephen Wang of HSBC James Capel in Taipei, the government has been pushing the stock market in an effort to repair the economic confidence that was lost as exports faltered last year and investors took fright at deteriorating relations with China.

The return of capital that fled after Beijing's missile tests in the Taiwan Straits in March last year, a relatively accommodating liquidity policy by the central bank and active buying by government controlled funds have brought doubled share values in little more than a year.

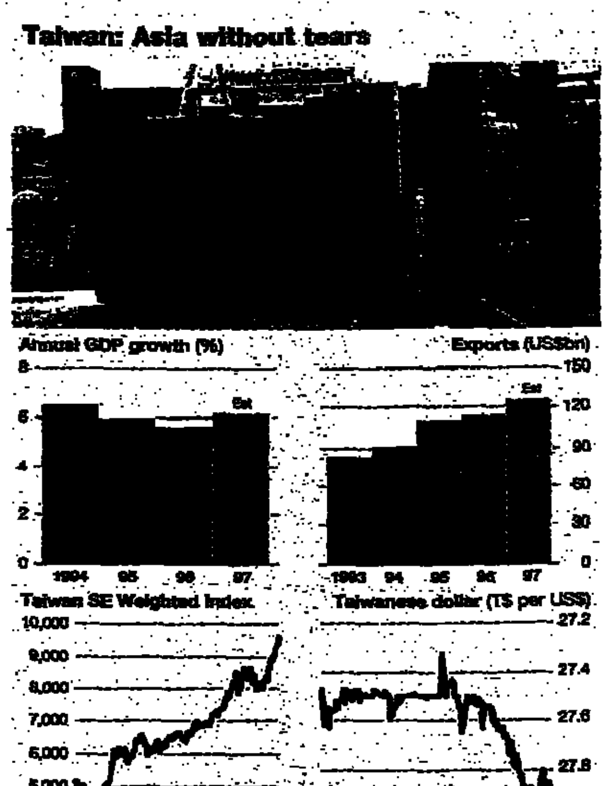
But the wealth effect of this development is sorely lacking, says Mr Wang. Oversupply continued to dog the residential property market in the first half of this year, export recovery has been sluggish and, at around 2.5 per cent, unemployment is at a 10-year high. This spring the economy was further hit by an outbreak of hog foot-and-mouth disease that necessitated a mass slaughter programme likely to depress gross domestic product by around 0.5 per cent.

The hope is that the rest of the economy will gradually catch up with the stock market, says Mr Daniel Chen, chief economist at Chinatrust, a leading private sector bank. The property market is showing signs of recovery and the financial services sector is growing strongly in the wake of the equity boom, he says.

Some regional economists such as Mr Berhard Eschweiler of JP Morgan in Singapore believe the cycle is turning in Taiwan with exports set to recover more strongly than in other parts of Asia this year. That will lead to a revival in investment spending, he argues. Consensus Economics suggests merchandise exports will rise 9.5 per cent to $125.8bn this year.

Yet the electronics sector, which accounts for roughly a quarter of Taiwanese exports, is recovering more slowly than hoped at the start of the year with almost no increase in prices. Economists say the current quarter will provide a real test of the strength of recovery.

Taiwan: Asia without tears



Sources: Datastream/ICV; Taiwan government, Consensus Economics

Similarly, exports to China, which account for a similar portion of Taiwan's overall foreign sales, have picked up less strongly than expected. Taiwan is an important supplier of plastics and raw textiles to Chinese industry.

At home the central bank has to steer a delicate course between promoting economic recovery and allowing a bubble to develop on the equity market. "We feel the stock market is now overheated. Turnover is five times gross national product, compared with half in most countries," says Mr Lee Kao-chao, vice-chairman of the government's Council for Economic Planning and Development.

So there are limits on the ability of the authorities to loosen the reins. The prime rate of 7.25 per cent is at its lowest level in eight years, but inflation is only 1.5 per cent, and real interest rates remain very high.

Mr Wang says there are political worries in the background. Mainland pressure on Taiwan may grow now Hong Kong has reverted to Chinese sovereignty. At home the ruling Kuomintang party is increasingly unpopular because of a reputation for corruption and a perceived breakdown in law and order. Looming constitutional reform – which involves shrinking the Taiwan provincial government – is fomenting uncertainty over the succession to President Lee Teng-hui.

Taken together, these factors suggest that allowing the currency to slip against the dollar is not the whole answer to Taiwan's problems. One reason may be that the New Taiwan dollar is still no lower against the yen than it was in September last year.

The other factor, according to Mr Ma Kai of the Chung-hua Institution for Economic Research, is that many of Taiwan's problems are structural. A land policy less tilted in favour of agriculture, a more liberal policy towards foreign labour, a more active privatisation policy, and a greater focus on private sector involvement in providing infrastructure are all needed.

"There is a question mark over Taiwan's competitiveness, and the government should work to improve it," he says.

Peter Montagnon and Laura Tyson

Call to revise Japan's pacifist constitution

By Gwen Robinson in Tokyo

China's growing military build-up merits revision of Tokyo's pacifist constitution, the Japanese defence ministry said yesterday.

"We need to continue to watch Chinese actions such as modernisation of nuclear forces, naval and air forces, its scope of activities in the high seas and the Taiwan Strait," the ministry's annual defence white paper said.

Japan's constitution does not permit collective security arrangements and the threat or use of military force to settle international disputes. It had to be revised to allow Japan to expand its international security role.

Mr Seiroku Kajiyama, a leading force in the ruling Liberal Democratic party, commended the proposals, saying Japan should have legislation to enable its military forces "to provide for all emergency defence situations".

These include North Korea, which remains Japan's biggest security problem and a "serious source of instability" in the region. Pyongyang's continued development of ballistic missiles was singled out as of "grave concern".

The Asia-Pacific region was "far from having established a stable security environment. Many countries are trying to replenish and modernise their national defence capabilities, along with expansion of their economies". China's defence spending had continued to grow by over 10 per cent a year since 1989.

The paper lends weight to the powerful business and political lobby calling for revision of the constitution. The ministry said any changes would be "highly political" and should be subject to parliamentary discussions and public scrutiny.

The proposal for legislation to increase Japanese involvement in regional security is a response to objections raised by the continuing US-Japan joint review of a bilateral defence co-operation accord, due for completion later this year.

An interim report in June called for Japan to play an active role to support US forces in regional crises. Critics said Japan's active involvement in resolving conflicts abroad, even in a logistical support role to the US, would contravene the constitution.

The paper added that new defence-related laws would facilitate upgraded military ties with the US. Legislation has already enabled Japan to step up involvement in UN peacekeeping activities.

The paper also discussed, for the first time, the importance of advanced military technology. Defence analysts said the agency seemed to be laying the groundwork for Japanese participation in developing one of several types of sophisticated anti-missile systems under study in the US.

Japanese officials will tomorrow join their US counterparts in Tokyo for their 11th round of discussions on possible participation in the US project known as the Theatre Missile Defence system.

Japan has expressed reluctance to take part fully in the project, but Japanese defence officials say it is likely the government will agree to some participation.

Anwar warns of delay to Malaysia dam

By James Kynge in Kuala Lumpur and Stefan Wagstyl in London

New doubts about Malaysia's troubled M$13.6bn (US$5.3bn) Bakun dam emerged yesterday when Mr Anwar Ibrahim, the acting prime minister, said disagreements had arisen between the project's manager and the lead contractor, ABB, the Swiss-Swedish engineering company.

Mr Anwar's blunt remarks come just weeks before Bakun Hydro-electric Corp, the company which is to operate the dam, is due to be floated on the Kuala Lumpur stock exchange.

"There may be a slight delay [in the whole project] because of the delay in the diversion tunnel," Mr Anwar said. "But more critical is the disagreement on the engineering, procurement and construction contract between Ekran and the ABB consortium," he added.

Ekran is the Malaysian company which is managing the dam project, and which is due to take a controlling 32 per cent stake in Bakun Hydro-electric Corp. The 2,400MW dam is due for completion in 2003.

ABB said it was usual to have detailed discussions with a client on a project as big and complex as Bakun. The company declined to give details, but said it expected a resolution of outstanding issues.

ABB said that it still expected to complete the project on time, despite the delays in the construction of the diversion tunnel. The tunnel, which will take river water away from the site during construction, is being built by South Korean contractors working independently of the main consortium headed by ABB, which has yet to move in.

Kuala Lumpur analysts said that Mr Anwar's comments may have been intended to divert attention from the financing problems facing the project. These – as well as the depressed stock market – have already caused Bakun's initial public offering (IPO), due to raise M$3bn, to be postponed on numerous occasions.

The IPO is the first, crucial step in the project's financing. Its delay may be the prime reason behind forecasts of postponement, analysts said. Nevertheless, Mr Leo Moggie, the minister for energy, telecommunications and posts, was due to convene a meeting today between ABB, Ekran and the prime minister's Economic Planning Unit to settle their differences.

The first serious financing problems came last month when Ekran failed to raise the cash it needed to buy its intended 32 per cent stake in Bakun Hydro-electric Corp. Its rights issue, which had aimed to raise M$1.46bn, was an unprecedented flop with 62.7 per cent of the shares unsubscribed.

Despite the proposed sale last week of an Ekran subsidiary, Wembley Industries, for M$284m, most analysts believe that Ekran remains far short of the money it needs to buy its Bakun stake. Without this stake, the Bakun IPO – and therefore the whole project – would be difficult to pursue further in its current form.

ASIA-PACIFIC NEWS DIGEST

HK frees more land for houses

Hong Kong said yesterday it would sharply increase the supply of land for residential housing. Mr Bowen Leung, secretary for planning, environment and lands, said the government would more than double land supply by 2002, compared with the amount released over the previous five years. He said this would increase housing supply to 85,000 new units per annum over the next 10 years, as planned by Mr Tung Chee-hwa, the territory's post-colonial chief executive.

Mr Tung has set housing supply as one of his top priorities. Yesterday's statement signalled that the main thrust of housing policy would be on the supply side rather than on new fiscal measures designed to curb prices and counter speculation.

Hong Kong's business community has pushed for an increase in supply, arguing that prices can only be contained by moves to tackle structural problems in the real estate sector. The government will release 157 hectares for residential use in the period to the end of March 1999. *John Ridding, Hong Kong*

■ GANGSTER SCANDAL

Nomura to be penalised

Japan's Security and Exchange Surveillance Commission, the country's financial watchdog, yesterday recommended that Nomura should face a penalty for its recent corporate scandal.

The recommendation, made after an official investigation, is likely to fuel speculation that Nomura, Japan's largest securities house, will face a heavy financial blow over the affair which centres around allegations that the company had financial links with *sokaiya* – corporate racketeers.

However, the government indicated that a final decision on the scale of penalties was unlikely to emerge until early next month, much later than previously expected. The delay suggests that the degree of punishment inflicted on the company could become a highly politicised issue.

In particular, any punishment the government imposes on Nomura will also have to take account of separate allegations that Dai-Ichi Kangyo Bank also had links with *sokaiya*. Investigations are under way into possible financial links between *sokaiya* and other large securities companies. *Gillian Tett, Tokyo*

■ JAPAN POLITICS

Four opposition MPs defect

Four more politicians said yesterday they would defect from Japan's New Frontier party, the country's largest opposition party. If the outflow continues the NFP could collapse before next summer's upper house election, leaving the Liberal Democratic party, the dominant member of the ruling coalition, with an absolute majority in the lower house. The LDP, with 247 out of 500 seats in the lower house, now runs a minority government.

The NFP has already lost 32 parliamentary members since last October, mainly because of personal clashes with Mr Ichiro Ozawa, the party's leader. The losses include its two former prime ministers, Mr Morihiro Hosokawa and Mr Tsutomu Hata. *Bethan Hutton, Tokyo*

NEWS: THE AMERICAS

Fresh twist in election finance inquiry

By Mark Suzman in Washington

The US Senate hearing into campaign finance abuses in last year's congressional and presidential elections has uncovered fresh evidence that political donations were offered to the Democratic party in exchange for policy influence.

Senator Fred Thompson, the Republican senator chairing the hearings, said yesterday the committee had uncovered documents showing that a foreign citizen, understood to be British, had offered a donation to the Democratic National Committee in exchange for a meeting with US government officials about Taiwan.

"[The documents] basically set forth pretty clear evidence that a foreign citizen, I think through his wife, offered to make a large contribution, $100,000, to the DNC in return for assistance in arranging for a meeting with a top national security official," Mr Thompson said.

The revelations came as the committee began its second week of hearings. Yesterday's witnesses included several associates of Mr John Huang, a former executive at the Lippo Group, an Indonesian conglomerate at the centre of the allegations, who subsequently held senior posts at the US Commerce department and the DNC. The committee is trying to establish Mr Huang retained close ties to the Lippo group in his subsequent jobs and illegally channelled campaign contributions from Indonesia and China to the DNC. The Democrats have returned $1.6m in donations raised by Mr Huang.

Many Democrats say the only firm evidence of a Chinese connection is that of legal efforts by the Chinese government to increase its Washington profile.

Fed keeps a steady eye on spending as retail sales jump 0.5% in June

Buoyant demand lifts US spending

By Gerard Baker in Washington

US consumer spending rebounded in June, after falling in each of the three previous months, as warm weather and widespread discounting enticed shoppers back to the stores.

Retail sales rose by a seasonally adjusted 0.5 per cent last month, the Commerce Department reported yesterday, led by a sharp increase in car sales. But the June rebound clawed back only a small part of the steep decline over the preceding three months, and the longer term trend showed that spending fell overall in the second quarter.

In the first three months of the year retail sales rose at an annual rate of almost 10 per cent, the strongest quarter in a decade, only to fall by 1 per cent in the second quarter as a whole.

Excluding car sales, which rose by 1.2 per cent last month, spending increased by 0.3 per cent in June. Non-durable goods sales grew by 0.4 per cent, with especially strong demand reported by restaurants and department stores.

Consumer spending accounts for almost one third of all economic activity and the strength of retail sales is a critical gauge of the degree of inflationary pressures in the economy. If consumer demand rises much faster than the economy's capacity to increase its output, inflation usually follows.

The sharp contrast between the retail sales figures in the first two quarters helps explain the actions of the Federal Reserve in the last six months. The Fed was sufficiently alarmed by the first quarter's strength to raise interest rates by a quarter point to guard against the risk of a resurgence of inflation.

But the slowdown between March and June persuaded the central bank that those price pressures had receded and the Fed left rates unchanged at both the May and early July meetings of its policymaking Open Market Committee.

The critical question for economists and policymakers now is whether June's recovery in spending will continue into the third quarter. Most of the available evidence suggests it will. Incomes are rising, unemployment is near a 24-year low, consumer confidence is at its highest level in nearly 30 years and the stock market has risen by 40 per cent in a year, enriching more Americans than ever in the process.

Furthermore, the Fed's decision to leave interest rates unchanged at its last two committee meetings has prompted a sharp fall in market interest rates, which has further strengthened the prospects for spending. Mortgage rates have fallen by more than half a percentage point in the last three months, a factor almost certain to lift confidence .

"We are confident that spending will bounce back in the third quarter and so expect the Fed to resume tightening at its September meeting, when the recovery in spending is clearly in place," said Mr James McCormick, economist at J.P. Morgan, the New York investment bank.

A factor that might yet stay the Fed's hand, however, is the inflation figures themselves. In spite of the surge in consumer demand at the start of the year, inflation throughout the economy remained dormant. Producer prices fell every month in the first six months of the year, and the pace of consumer price increases has slowed to a crawl.

US President Bill Clinton and Republican Congressional leaders expressed optimism yesterday they could have a final budget agreement in place within a matter of weeks, Gerard Baker writes.

Meeting at the White House for talks aimed at ironing out remaining differences, the two sides said a deal that cut taxes, reined in spending and balanced the federal budget by 2002 was within reach by the end of the month.

"I hope in a very few days we will be able to have a meeting to announce that we have all the final details worked out," said Mr Newt Gingrich, Speaker of the House of Representatives.

Though both sides agree on the outlines of the plan – about $70bn in tax cuts over the next five years and cuts in spending on social programmes – they differ sharply on the detail.

A capital gains tax cut is the centrepiece of both proposals, but Mr Clinton favours targeting more of the reduction at middle-income Americans, while the Republican measure would favour the better-off.

Republicans also want to force deeper cuts in Medicare spending, by increasing the contributions paid by the elderly and by raising the age for eligibility for benefits from 65 to 67.

The final negotiations now under way take place against the background of a dramatic improvement in the public finances, brought about not by budget initiatives but by economic growth.

This has cut the projected federal deficit for the current year from an estimated $107bn when the budget negotiations began six months ago, to a new government estimate of about $45bn, as at last week.

Clinton: hoping to agree last details Reuter

Zedillo promises to work with new mayor

By Leslie Crawford in Mexico City

Mr Cuauhtémoc Cárdenas, the leftwing mayor-elect of Mexico City, has won the right to name the capital's chief of police and attorney-general following his first meeting with President Ernesto Zedillo on Monday.

Mr Cárdenas and Mr Zedillo, who belong to rival political parties, pledged to work together for the benefit of the capital in an early display of goodwill between political opponents.

Mexico City's chief of police and attorney-general are appointed by the president, but Mr Zedillo agreed to accept Mr Cárdenas' nominations for both posts. Mr Cárdenas will assume full responsibility for law and order in the capital when he takes office in December.

Mr Cárdenas won an overwhelming victory in the July 6 elections, defeating his nearest rival, Mr Alfredo del Mazo of the ruling Institutional Revolutionary Party (PRI), by a margin of almost two to one.

Mr del Mazo's defeat led to the resignation on Monday of Mr Roberto Campa, the PRI chief in Mexico City. Other PRI leaders could also lose their posts as rank-and-file members are bitter about their poor showing in this month's mid-term elections, in which the PRI lost control of Congress for the first time in its history.

The PRI, with 239 elected deputies, will remain the largest party in the 500-seat Chamber of Deputies.

Mr Cárdenas' Revolutionary Democratic Party (PRD) almost doubled its strength in the elections to become the second-largest party in the lower house of Congress, with 125 elected deputies. The conservative National Action Party (PAN), which fared poorly in the capital, won 122 seats.

Top Brazilians accused over bond fraud

By Geoff Dyer in São Paulo

Twenty leading Brazilian politicians and officials, including three state governors and two mayors of the biggest city in the country, operated a "criminal scheme" of fraudulent bond issues which cost taxpayers R$237.9m (US$221.2m), according to the head of a Senate investigation into the scandal.

In his final report on the scandal, Mr Roberto Requião, the senator from Parana state who has been leading the seven-month inquiry, also named 161 financial institutions, including Bradesco, the largest private sector bank in the country, and officials from the central bank, as being involved in the scheme.

Mr Requião recommended the creation of a broader parliamentary investigation into the financial system and the collapse of several private sector banks. "The scandal has shown that the whole system is contaminated," he said.

The 700-page report will now be voted on by the other members of the Senate committee, probably in the next fortnight.

If it is approved, the report will be passed to the public prosecutor, who will decide whether to press charges, and to the tax authorities.

The most prominent individuals named in the report are Mr Paulo Maluf, the former mayor of São Paulo who had been hoping to run for the presidency next year, and Mr Celso Pitta, the current mayor who was the city's finance secretary at the time of the bond issues.

The report alleges that in 1995 and 1996 the states of Alagoas, Pernambuco and Santa Catarina and the cities of São Paulo, Osasco, Campinas and Guarulhos fraudulently issued more than $1bn of bonds.

States and municipalities are allowed to issue bonds only to pay legally binding debts, after receiving Senate and central bank approval.

However the report says that bonds were issued above the amounts authorised, with the excess funds used to finance political campaigns in some cases. The bonds were issued through a network of small and unknown brokerage firms, often at prices well below face value.

The report says the conspiracy was organised by four São Paulo city officials who worked in Mr Pitta's office, all of whom have since been dismissed from their jobs. The inquiry discovered that one of the officials, Mr Wagner Baptista Ramos, had $1.8m in a US bank account.

However some senators believe Mr Requião has exaggerated the extent of the scandal and has been using the inquiry to boost his own political profile to prepare for a bid for the state governorship or even the presidency.

"The report goes too far in places. Some of the evidence is vague," said one politician yesterday.

The report is likely to provoke intense haggling among the political parties involved in the inquiry. In particular, allies of Mr Maluf are already believed to be pressing members of the committee to have his name withdrawn from the final report.

The politicians named in the report and Bradesco have all denied involvement in the scheme.

Report prompts hostile response from industry but minister welcomes call for low-cost schemes

Quality of pension provision attacked

By Jonathan Guthrie

The Office of Fair Trading has attacked the poor quality of much pensions provision in a report published yesterday. It sharply criticised both personal pensions and schemes run by employers, prompting a correspondingly hostile response from the industry.

But Mr John Denham, the pensions minister, welcomed the report's proposal for a new low-cost form of provision – called designated personal pensions. These are similar in concept to the "stakeholder" pensions promised in the Labour election manifesto, the likely focus of a government review of pensions expected soon.

DPPs would provide an alternative to company schemes and traditional personal pensions. In contrast to many of the latter, they would have no heavy setting-up costs. The only charge would be a fixed annual levy set as a percentage of fund value. The plans would invest in low-cost index-tracking funds. Pensions paid out would reflect the size of contributions and the investment returns achieved.

"The DPP proposals reflect the government's belief that a new framework for value-for-money, flexible and secure second pensions should be developed," Mr Denham said.

The OFT report singled out personal pensions for particular attack. "Many are poor value, their benefits eroded by the high cost of marketing and fund management," said Mr John Bridgeman, director-general of the OFT. He claimed up to 30 per cent of a fund could be eaten up in charges over 25 years.

He said that sales people sometimes used inflated claims for the returns from active management of personal pension funds to distract attention from high charges.

Mr Bridgeman snubbed insurers, the main providers of personal pensions, by emphasising the big role he hoped mutual savings societies, and trade unions would have in running DPPs.

Mr Mark Boléat, the director general of the Association of British Insurers, said: "The OFT has no power whatsoever and nothing will happen as a result of this report, though it is a welcome contribution to the pensions debate."

The OFT report also makes uncomfortable reading for big employers, the final salary schemes of which dominate occupational provision. It criticised the low transfer values these sometimes provide to members leaving before reaching retirement. The schemes are likely to oppose the OFT's call for the law to compel them to pay contributions into new employees' DPP funds on request.

Ms Anne Robinson, director general of the National Association of Pension Funds, dismissed the OFT document as "one in a host of reports". She said: "The OFT sees no remedy for pensions problems except to set up more money-purchase schemes – however, their own figures show you get a bigger pension from a traditional final salary scheme."

Lex, Page 19

Shipowners await a turn in the tide

Mr Michael Everard, chairman of the family-owned UK shipping group FT Everard, knows that many of the 20 British officers he is currently training will leave for overseas lines.

This illustrates one of the predicaments facing a contracting British shipping industry. It complains that the government has neglected the merchant navy and it is forced to hire foreign crews because of the unsympathetic treatment of UK crew income tax and National Insurance.

After the winding down of training schemes, FT Everard says the shortage of British recruits has forced it to take on Canadian officers on its 33-strong fleet. The financial advantages apply to both sides.

The UK has seen a rapid decline of its merchant fleet. It has fallen to just 233 ships of 2.28m deadweight tons from 1,614 ships of 50m dwt in 1975. In 1980, 30,000 UK ratings were employed on UK flagged vessels but by 1994 this number fell to 10,000.

While the British fleet contracts, world trade and the world fleet continues to rise. The world merchant fleet increased by 3.5 per cent last year, its highest rate of annual growth since 1979.

But Mr Everard and other UK shipowners are hoping that a recent speech by Mr Gavin Strang, the transport minister, promising a more helpful approach to the shipping community, heralds a breakthrough after years of lobbying.

In the first indication of his thinking on the shipping industry, Mr Strang said the role of government should be "to create the dynamic and supportive environment in which trade can prosper". Nearly 80 per cent of UK trade by value is carried by sea, he noted.

Concern about the contraction of the UK fleet has brought the Chamber of Shipping, representing UK shipowners, and the maritime unions together in a lobbying campaign.

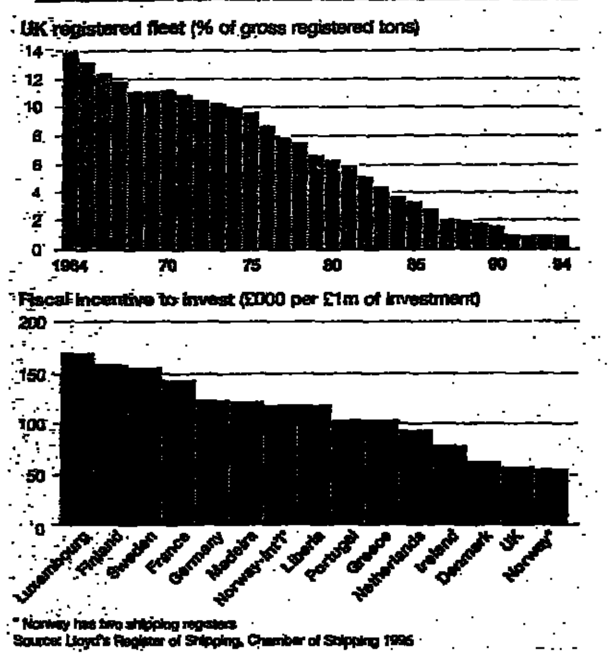
The financial and other incentives offered by countries around the world mean that shipowners can choose the most favourable "flag" for their vessels, based on a mixture of tax breaks, less stringent safety regulations and ease of registration.

The result has been a boost for the many foreign flags of convenience or shipping registers such as Panama, Malta and St Vincent. P&O, the biggest UK shipowner, moved part of its international container fleet from the British to the Bermuda flag last year.

These developments are also starting to threaten London's pre-eminence as a shipping centre, the British shipping community fears.

The Chamber of Shipping reported in a study published last year that the City of London's earnings from maritime-related services such as ship broking, legal services and banking has fallen from £1.28bn ($2.16bn) in 1984 to £980m in 1994, a decline of 53 per cent in real terms.

Decline in UK merchant shipping



* Norway has two shipping registers
Source: Lloyd's Register of Shipping, Chamber of Shipping 1995

A recent speech by minister Gavin Strang promises more help, reports Charles Batchelor

The chamber and the unions want employers to be given relief from National Insurance contributions, which amount to about 10 per cent of their wages bill. They are also seeking more government funds for training and 100 per cent first-year allowances for investments in new and second-hand ships.

In return, the shipping industry is offering to double its current intake of cadets and employ more British officers. This would not only boost UK employment and provide career opportunities to 16-19 year olds.

The UK shipping industry argues it is a special case because of the uniquely mobile nature of the ships. "I don't like subsidies," says Mr Everard. "But more and more countries provide help to keep their fleets going and we have to be able to compete on equal terms."

Komatsu says strong pound will hit plans

By Peter Marsh

Komatsu, the large Japanese construction equipment maker, has warned that a big increase in production at its UK factory will be accompanied by a sizeable rise in component imports because of the strong pound.

The company this year is planning to make 2,000 excavators worth an estimated £100m ($169m) at distributor prices at its factory in Birtley, north-east England. Output is scheduled to rise a further 50 per cent by 2000, as part of Komatsu's plans for a big rise in overall production across Europe.

But with three quarters of the output from Birtley for export, Komatsu is being forced to turn more to non-British component makers to balance out the effects of the strong pound on the factory's overall competitiveness.

Mr Keith Tipping, managing director of Komatsu's UK operations, said the 18 per cent rise in the value of sterling against other main currencies in the past year "is making life very difficult for us".

While about 65 per cent of Komatsu's component purchases for Birtley already come from outside Britain, Mr Tipping said the proportion would almost certainly rise on the assumption that the pound stayed at its current levels.

A higher pound makes exports more expensive, but at the same time makes imports into the UK cheaper, adding to competition for UK suppliers in their domestic market.

In particular, Komatsu plans to step up its imports of components from eastern Europe, from virtually nothing now to up to about £2m a year by the end of the century. Imports of components such as castings from countries such as the Czech Republic appear attractive for many western European companies because of eastern Europe's low labour costs.

In the past year, Komatsu has coped with the strength of sterling by accepting lower margins on sales from the UK. Because it also has production sites in Italy and Germany, the overall effect of currency fluctuations on the company's total European operations is relatively small.

Komatsu's warning that it plans to step up component imports comes after many engineering companies in the UK have complained about the rise in sterling cutting into their ability to compete with overseas rivals.

The Japanese company, which is second in the world to Caterpillar of the US in construction machinery, is determined to expand its presence in Europe by stepping up total production of machines from its European factories from 8,000 this year to 12,000 by 2000.

Apart from supplying the rest of Europe, Birtley this year is also making about 300 excavators for the US, adding to the company's production from its factories in North America where demand for construction machines has been unexpectedly strong.

Rail wagon factory to pass into US hands

By Charles Batchelor, Transport Correspondent

A US manufacturer of rail freight wagons will be announcing today that it is to take over the former Adtranz rolling stock factory in York, in the north of England, to build rail wagons for the UK and European markets.

Thrall Car Manufacturing Company of Chicago has already won a commitment from English Welsh & Scottish Railway (EWS), the US-owned freight operator, to order 2,500 rail wagons over the next five years.

Its European subsidiary, Thrall Europa, is expected to start production in June 1998 with an initial workforce of 300. Deliveries will commence in the second half of next year.

The site employed 2,900 people when it was acquired by Adtranz from British Rail in 1990. But the decline of UK train orders while BR was privatised led to a steep rundown of the plant and its closure in March 1996.

This is Thrall's first production plant outside the US, where it has four factories in Illinois and Georgia. It set up a European office in Glasgow two years ago where it has been developing a prototype "piggyback" wagon to carry road trailers by rail.

York has been chosen because of the tradition of rolling stock manufacture in the city, although under BR and Adtranz the site was involved primarily in making passenger wagons. Freight wagons are relatively simple to manufacture, although EWS expects it will order a range of wagons to carry specialist cargoes.

The decision to place an order with Thrall continues EWS's practice of buying American rolling stock. Shortly after it was acquired by Wisconsin Central Transportation in February 1996, EWS placed an order for up to 250 diesel locomotives with General Motors of the US.

The longer production runs of US manufacturers means they can often supply cheaper, more reliable equipment, although they are largely absent from the passenger train market.

But having a supplier in the UK means that EWS will be able to modify orders to meet changing customer demand more rapidly than if the wagons were being delivered from the US. It will also allow the company to avoid criticism that it was sourcing all its equipment from the US.

The reopening of the York site will provide a welcome boost for the UK rail equipment sector which has contracted sharply in recent years. Many companies were forced to cut their workforces and shut down factories as demand shrank, though in recent months new orders have come from the privatised passenger train operators.

Block on illegal beef exports promised

By Alison Maitland in London and Neil Buckley in Strasbourg

New legislation was promised by the government last night to stop beef being exported illegally from the UK in defiance of the European Union's worldwide export ban.

The measures were announced as Mr Jack Cunningham, the agriculture minister, faced tough questions in Strasbourg from the European Parliament's bovine spongiform encephalopathy monitoring committee about the alleged illegal export of at least 1,600 tonnes of beef.

The new legislation will "close a loophole" which UK officials suspect may have led to illegal exports of beef, Mr Cunningham said in a written Commons answer.

Agriculture ministry vets and inspectors will be given similar powers of investigation to those of customs officers.

There will be a specific offence and penalties for exporting beef in breach of the export ban of March last year. Port checks will be stepped up and the government is urgently considering improving veterinary checks at beef plants.

The announcement followed Monday's news that two meat plants have been ordered to stop trading in beef on suspicion of involvement in illegal exports and on hygiene grounds.

Mr Cunningham admitted before the Strasbourg meeting that the revelation that the UK had breached the export ban was a setback to hopes of lifting it.

"I think [this] has probably done us some significant harm, which I regret very much, and I am sure that both farmers and responsible producers will be absolutely incensed that their reputation has been damaged in this way," he said.

The latest measures, which were also put to the European Commission yesterday, underline the government's determination to show its European partners it is doing all it can to end the crisis over BSE – or "mad cow" disease.

"The UK is under an obligation to implement and enforce the export ban firmly and effectively for as long as it is in place," said Mr Cunningham. "Only in this way will we regain the trust of our European partners, which is an essential prerequisite to an early lifting of the export ban."

Members of the European Parliament welcomed Mr Cunningham's presence at the inquiry, but subjected him to 90 minutes of intense, sometimes aggressive, questions.

He said the UK had submitted proposals to Brussels for two elements of the export ban to be lifted – on meat from herds certified to be BSE-free and from cattle born after a certain date.

He insisted the UK government would press ahead with a legal challenge to the ban's legality in the European Court, launched by the previous government.

Mr Cunningham also reiterated his threat to introduce controls on imports of beef from other EU countries next Tuesday unless they adopt similar meat hygiene standards to those in the UK.

UK NEWS DIGEST

CrestCo seeks broadened role

CrestCo, the company that operates equity settlement in the UK and the Republic of Ireland, yesterday called for its responsibilities to be expanded to cover unit trust and government bond settlement, but faced a sceptical response. Mr Iain Saville, chief executive of CrestCo, which believes it has conquered most of the problems and delays in settling share trades in the past year, said Crest could only compete with international rivals by broadening its scope. Mr Saville said CrestCo was now prepared for the additional responsibility of settling gilts (UK government bonds) trades – currently undertaken by the Bank of England, the UK central bank – and those of unit and investment trusts, which are settled by fund managers and brokers.

Mr Saville, presenting results for the first year in which Crest has operated, said it was now achieving clearly better results than Talisman, the paper-based system owned by the London Stock Exchange that it replaced.

But the Association of Unit Trusts and Investment Funds said that while the industry was likely to move towards the central settlement of trades, CrestCo would probably not be the leading contender to run such a system. Mr Philip Warland, director-general of Autif, said: "I would doubt whether Crest would be near the top our our list, partly because of credibility. We cannot afford to run into the problems they have experienced over the last year." *John Gapper*

■ SECURITY INDUSTRY

New rules aim to beat cheats

Proposals to regulate the private security industry and weed out "cowboys and cheats" were announced by Mr Jack Straw, the home secretary, yesterday. "There are now more people employed in the private security industry than in the police but unlike the police service – extraordinarily – it is not subject to any statutory regulation," said Mr Straw.

Mr Straw's announcement, to the British Security Industry Association, was welcomed by the police and leading security companies. One of the main concerns about an unregulated industry has been that criminals have sometimes set up private security businesses for dishonest purposes. *Alan Pike*

■ UNEMPLOYMENT

Conservative scheme praised

Work Trial, one of the former Conservative government's welfare-to-work programmes, has proved the most successful labour market programme ever, independent research showed yesterday. But the findings, from the Policy Studies Institute, suggest that Labour's plans to offer employers £75 ($126) a week in subsidies to take on the long-term unemployed may be unnecessarily costly and a waste of money. The scheme involved employers taking on people out of work for at least six months for a three-week trial. During that time they are paid their normal benefit but if the employee wishes to stay and the employer wishes to keep them, a normal contract begins.

The scheme, which provides about 20,000 placements a year was "extremely successful" the study found, to the point where "it has no parallels in previous labour market programmes". *Nicholas Timmins*

■ LLOYD'S

Names return to court today

Lloyd's Names – individuals whose personal wealth has traditionally supported the insurance market – will return to the High Court today in an attempt to overturn a ruling that they should pay their losses before suing for fraud. Three judges will preside over the two-day hearing.

One of them, Mr Justice Phillips, has previous experience of the court room skirmishing between Lloyd's and embittered Names. He ruled in the case two years ago which found that underwriters for the Gooda Walker syndicates, some of the worst hit by huge losses at Lloyd's, had acted incompetently. Around 80 Canadian Names who refused to accept last year's settlement offer received a setback yesterday when an appeals court in Ontario threw out accusations that Lloyd's committed fraud by concealing knowledge of its losses. They will take their case to Canada's supreme court. *Christopher Adams*

■ DRUGS TRAFFICKING

Agreement signed with Russians

The British and Russian authorities yesterday agreed a series of measures to help "throttle" the growth of drug trafficking and money laundering from the former Soviet Union. The agreement, to be signed by Mr Tony Blair, UK prime minister, when he visits Moscow later this year, provides the legal framework for an increased exchange of information and expertise. Mr Cook, on his first official visit to Moscow, said the British police would also give their Russian counterparts a £50,000 ($84,500) computer, with specialist software designed to highlight suspicious data patterns which might help prevent money laundering. The British government has invited the head of the Russian drugs control unit to Britain for a week to help co-ordinate joint action. *John Thornhill*

■ LOCAL GOVERNMENT

Authorities face $25bn shortfall

Some municipal authority services may have to be abandoned – or at least provided in a different form – as councils face a continuing gap in their finances, the Audit Commission warns today. A report by the commission, a public spending watchdog, shows that up to £15bn ($25.35bn) of additional resources could be needed to meet local government demands for capital funding over the next five years. "Limited resources are being spread too thinly across the asset base," it says.

The report will create a sombre backdrop to the first meeting today of a new central-local government partnership chaired by Mr John Prescott, deputy prime minister, at which authority leaders will raise concerns about levels of funding. *Alan Pike*

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INFORMATION TECHNOLOGY

Eagle Eye · **Louise Kehoe**

Call in Mrs Mop

The fuss surrounding the millennium bomb problem is the equivalent of getting agitated about the washing up

Confession time: I find all the fuss about the millennium bomb distinctly boring. I don't deny it is important – I just don't find it very interesting.

It is the computing equivalent of housework; a lot of drudgery that must be taken care of to avoid a big mess. I'm not fond of housework, either. In fact, I outsource most of it to my cleaning lady. Similarly, many businesses are subcontracting their year 2000 programming fixes.

Much of the noise surrounding this issue has been generated by consultants and computer services companies out to profit from the problem by acting as the cleaning ladies of the computing sector. It is a vital role, but not one that shapes the future.

Cambridge Information Network, an internet site that serves as a community centre for the chief information officers of big companies, *(www.cin.ctp.com)* has found its members equally uninterested.

"We get low participation in discussion groups on the topic and when we post articles about it very few people read them," says Paul McNabb, president of CIN. Members are far more interested in new technologies and the challenges of achieving a satisfactory return on investment in IT.

In weekly surveys of its 700 members, which include the top IT managers at several big US and European companies, CIN found 65 per cent considered the year 2000 issue a "significant problem". Yet the vast majority, some 78 per cent, will spend 10 per cent or less of their 1998 budgets on the problem: 70 per cent will not cut spending on new applications to pay for year 2000 code fixes.

Either they have their heads buried in the sand, or they have already begun the clean-up to find and eliminate year 2000 problems. Let's hope it is the latter, or the millennium bomb could get a lot more interesting after all.

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With all due respect to Microsoft, the real question is: "Where will you want to go tomorrow?"

Figuring out the direction of networking technology and how it may affect business is tough. Senior executives from several companies have told me it is just too hard to predict.

So it was refreshing to meet Patrick Campbell, executive vice-president of corporate strategy and business development at Ameritech, a mid-western US regional telephone company. He sees much of the World Wide Web being transformed into a "broadcast model" based on push technology. The next step, he predicts, will be broadband services distributed over high-speed fibre-optic networks.

Web pages, push channels and broadband will co-exist, he believes, but each will serve different markets and be dominated by varying types of content providers.

Web pages will remain an important medium for the small publisher, company or individual. But big publishing groups, newspapers and magazines will move on to the broadcast model, taking much of the advertising revenues of the web with them. When broadband online services become a reality, he sees TV networks holding the advantage over traditional print publishers and expects both to form alliances to exploit the new medium.

> Chief information officers are far more interested in new technologies and the challenges of achieving a satisfactory return on IT investment

In general, the technology direction favours big established publishers, says Campbell, because the barriers to entry get higher as attention shifts from web pages to push channels to broadband services.

Ameritech, which has branched out into cable TV services and networked property security systems, is also investing in internet content and service providers. In the past three years, it has bought stakes in 40 companies.

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Even as Apple Computer's saga of management turmoil continues, ex-Apple employees – thousands of whom lost their jobs over the past two years – are building new Silicon Valley ventures.

*One is LiveWorld Produc*tions, a start-up formed by many of the people who created Apple's now defunct eWorld online service. For a taste of what LiveWorld is up to, I recommend a visit to the company's TalkCity Chat Network (www.talkcity.com) which offers moderated "chat" groups.

The latest feature is a virtual reality tour of the Mars Pathfinder landing site. Visitors can explore the planet through 360° images, zoom in for detailed inspection, and get close-up images of the "rock stars" such as Barnacle Bill. The ChatZine format enables visitors to chat as they take the virtual tour. Self-guided tours of the Mars Pathfinder landing site run 24 hours a day. From today, there will be guided tours of the Mars landscape, with Nasa experts providing the commentary, starting at 5.30pm Pacific time.

The Mars tour is a collaborative effort of LiveWorld and Seismic Entertainment, a San Francisco multimedia production studio that has pioneered the ChatZine. Virtual reality software for the tour is provided by LivePictures, another start-up.

What do these companies have in common? Apart from innovative technologies and a lot of imagination, they share as one of their lead investors John Sculley, the former chairman and chief executive of Apple, who now describes himself as a "venture catalyst". Apple may have seen its best days, but its entrepreneurial spirit lives on.

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More push-and-shove: Packeteer, a young Silicon Valley software company that offers bandwidth management software for use on corporate intranets, has come up with programs that put push channels on the slow road. Designed to ensure that web sites using *push to deliver information* to users do not become bandwidth hogs, the "push-back" software assigns low priority to selected pushed content, giving more urgent traffic, such as e-mail, electronic commerce or web site inquiries, the right of way. Packeteer's technology signals a trend toward prioritisation of network traffic – users, rather than content providers, should decide what reaches them first.

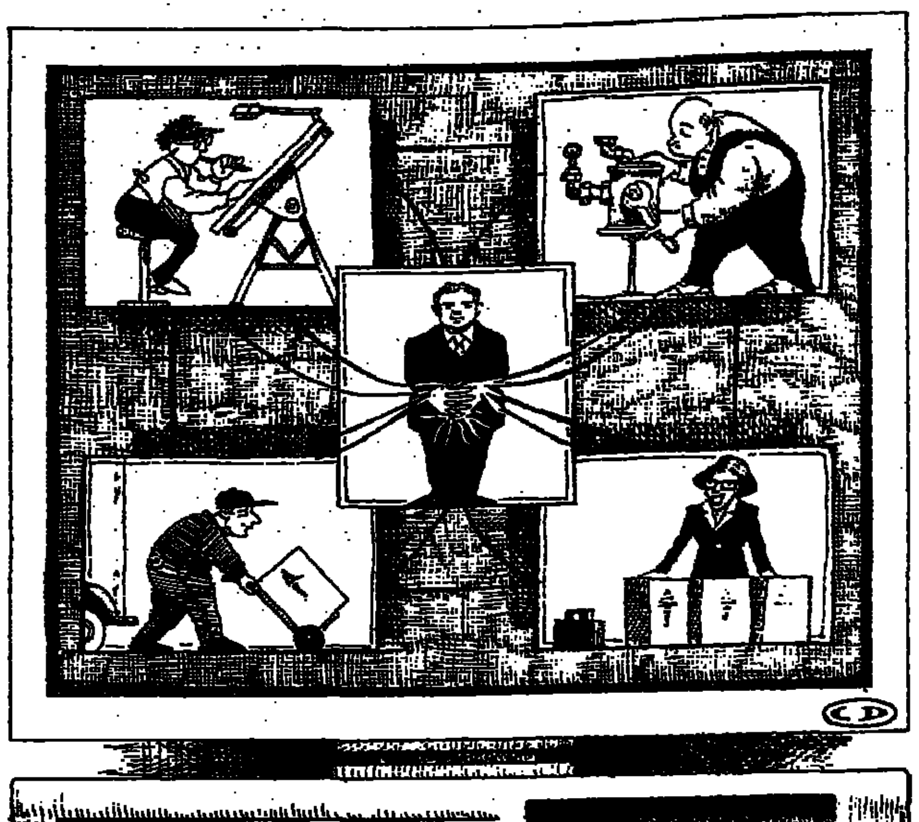
Packeteer, by the way, is run by a former Apple executive . . . another Silicon Valley trend.

Share your views in the Eagle Eye discussion group on the FT website (www.FT.com), or contact Louise Kehoe by e-mail on louise@FT.com

Online manufacturing · **Vanessa Houlder**

Make it on the internet

Design and production benefit from wired collaboration



All too often, the claims made for information technology are hopelessly exaggerated. Despite investing large sums in new systems, companies find their bureaucracy is unchecked, their offices cluttered with paper and their dealings with the outside world as time-consuming as ever.

But the internet – which is tipped as the latest productivity tool – will be different, its champions say.

They argue that the efficiency and responsiveness of organisations can be vastly improved by the internet, together with intranets and extranets, the networks that operate within and outside the organisation. At a relatively small cost, the new technology can link trading partners across an electronic network so that they can communicate more easily, gain access to pools of information and use one another's application systems and files.

*In one of the biggest inter*net trials ever conducted, some of the leading US technology companies are putting this vision to the test.

The Enhanced Product Realization case study, expected to be completed by the end of this year, is being run by Infotest, a Denver-based consortium that evaluates internet technologies. In this case study, Caterpillar, Hughes Electronics and Sandia National Laboratories are playing the part of manufacturers; 3M and Oak Ridge National Laboratory are acting as product suppliers and Texas Instruments as a product dealer.

The project is highly ambitious, according to Troy Eid, Infotest's chief operating officer. "Its goals extend beyond well-known applications, such as electronic data interchange, to the full range of collaborative multimedia applications including the product design process, which has never been done on the internet," he says.

The case study concerns a farm that uses a Caterpillar Challenger tractor which needs a modification to the undercarriage system to cope with different soil conditions. The challenge is for Caterpillar and its suppliers *to create the modified part* in just five days – a 10th of the time traditionally taken.

This goal can be achieved only by all members of the team working on the project concurrently. They communicate by e-mail and desktop video-conferencing instead of by fax, courier and mail.

Everyone can access the spreadsheets, charts, documents, scheduling charts, databases and computer-generated drawings that are stored electronically.

These applications are already used extensively, but typically using proprietary or "closed" systems. The sig*nificance of the EPR study is* that it employs "open" standards, meaning any computer can be connected to any other computer. That is vital for a company such as Caterpillar, which has thousands of suppliers and could not insist that all its suppliers used the same system.

The EPR project is not alone in trying to prove the worth of the internet to manufacturers. A joint initiative by Digital, Intergraph, Microsoft, Siemens and SAP is promoting the idea of an Internet Enabled Manufacturing Company, by demonstrating how rapidly a pen design can be modified and brought to the market.

This case study shows how the internet can be used to find new customers and place orders, how a CAD model can be downloaded from a supplier's web page and integrated into a design and how the factory floor can be linked to the internet, allowing managers to monitor production data. It also shows how the customer can check on the progress of the order by calling up the relevant web page and entering a password.

As these demonstrations show, most of the technology needed to run an inter*net-enabled* or *"virtual" fac*tory is being or has already been developed. For example, Dassault Systemes, the French software company that developed the widely-used CATIA design software, recently designed a navigator that will let users view computer-aided design models from a distant site using a common web browser such as Netscape or Microsoft's Internet Explorer.

This "applet" technology is important for users wanting to reach customers, suppliers and internal organisations, according to Gartner Group, the IT research group. *For the next three* years, however, they predict that only the most technologically-advanced companies will use them.

Despite the experimental nature of much of the work going on in internet-enabled manufacturing, some companies are already obtaining significant benefits from some aspects of the technology.

For instance, the idea of using the World Wide Web to find new suppliers and customers is already established in certain industries. One example, Apparel Exchange (http://www.apparelex.com/), has provided an online sourcing service to more than 26,000 textiles companies since 1994.

The cost savings from dealing with suppliers' bids over the internet can be significant. A few weeks ago, General Electric announced plans to move all its procurement – worth \$5bn (£2.9bn) – on to the internet by 2000.

In another example, McDonnell Douglas Aerospace has demonstrated practical benefits from using the networks to build prototypes of complex parts. It has sent its computer-aided design files over telephone lines to a tooling manufacturer, which could then feed the data directly into its manufacturing and quality assurance systems. That cut the costs of transferring cutting programs from \$400 per file (for tapes and express mail) to \$4 – and the process took seconds rather than days.

But establishing and maintaining these kinds of electronic links is not easy, according to David Upton and Andrew McAfee, of Harvard Business School, in an article in last July's Harvard Business Review.

An "information broker" can play an important role, *they argue.* McDonnell Douglas, for example, used Aero-Tech Service Group, a small company based in St Louis, Missouri, to keep track of the network's members and to ensure that each partner had the appropriate security clearance.

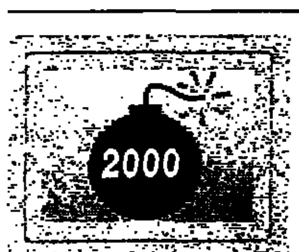
The importance of adequate security is underlined by everybody working on internet-enabled manufacturing. "Security is definitely the number one challenge in the short term," says Eid. Longer term, he is concerned about the adequacy of internet infrastructure in less developed parts of the world.

But despite the difficulties, Eid has few doubts about the potential of internet technology to improve the productivity of companies in the manufacturing sector. Although internet applications are still in their infancy, "they will become a mainstream way to do business" within a few years, he predicts.

The same conclusion is reached by Gartner. For any manufacturer which believes it can beat its competitors using the internet, "the time is now" to learn what the technology can do.

Information Technology

● The FT's review of Information Technology appears on the first Wednesday of each month



Millennium Watch · **Ralph Atkins**

A risky business

Insurers are warning that they could face huge payouts over computer failures

The mid-size German insurance company was shocked. It wanted to insure a car beyond 2000, but the group's computers insisted it was not possible: the new vehicle was being treated by the software as a vintage car.

The anecdote provided an early warning of the approaching millennium bomb – the widespread chaos expected from computers which, because they use only the last two digits of a year, regard dates beyond 1999 as referring to the 1900s.

But the "vintage" car example almost certainly understated the impact on the insurance industry.

A recent investigation by Cologne Re – the oldest of the world's reinsurance companies, which specialise in "insuring the insurers" – has confirmed not only that failure to address the millennium bomb problem could lead to massive but incalculable financial losses, but also that much of the burden would fall on insurers and reinsurers.

If insurers are to protect themselves, they may well increase policy rates – or withdraw cover altogether – from companies that fail to take protective action.

Alexander Quack-Grobecker, general manager responsible for third-party liability business at Cologne Re, says: "A lot of money is at stake."

Cologne Re is not among the more apocalyptic forecasters. It plays down fears that computer errors could cause aircraft crashes. But the group's survey of 124 German banking, engineering and chemical companies revealed that 60 per cent had not studied fully the possible problems, and of these a third had not taken any preventive steps.

A quick calculation, based on the responses, suggested the bill for damage incurred by just the 124 companies surveyed could be as much as DM900m (£300m). "At least it gives you a hint about the size of the problem," says Quack-Grobecker.

Insurers would pick up the bill not just because they have provided policies to computer companies that would pay out when services or products proved faulty, warns Cologne Re. Insurers also cover auditors and consultants against damages claims. Moreover, standard public and product liability insurance policies, bought across industry, could trigger claims when products or services fail.

Insurers faced with such a bill could in turn seek redress from the computer manufacturers. But they would risk creating an insurance "spiral" because the computer manufacturer would claim on its insurance policy that might well have been underwritten by the same insurer or reinsurer.

Discussions in continental Europe about the implications of the millennium bomb may have lagged a little behind the US or UK. But Quack-Grobecker believes that by this time next year it should be clearer which companies will have begun sufficient preventive action.

On the insurance buyers' side is the current soft market in insurance that has led to price falls in recent years.

"But there will be situations where insurance companies, as awareness develops, become more inclined to increase premiums and maybe, in some cases, just to say 'goodbye' to the business because the premiums don't match the risk," he says.

Insurers in Germany and elsewhere in continental Europe would have difficulty excluding millennium risks from the policies of those already covered. The tradition of long-term contracts makes it difficult to change terms without cancelling a policy.

In the US, the signs are that the widespread debarring of ill-prepared companies is not being seriously contemplated.

But in the UK, says Quack-Grobecker, "there is intense discussion about exclusions right now".

ARTS

Television / Christopher Dunkley

Errors in the comedy

Do our younger television comedians understand comedy? Last week in a newspaper article about his tiresomely childish character Mr Bean, Rowan Atkinson was quoted as saying "Television comedy is really a verbal medium. There's no tradition of visual comedy on TV at all" (ignoring everything from *I Love Lucy* to *Monty Python* via *The Goodies*) "other than possibly Benny Hill chasing women at great speed through parks."

But, of course, Benny Hill never did any such thing. True, Hill was criticised a few years ago by Ben Elton for the "sexism" of the famous chase sequence which ended so many of his programmes, but Elton also got it wrong. The whole point was that the little fat, ageing guy in glasses was not chasing the scantily clad women; what would be funny about that? They always chased him.

BBC director-general John Birt has started something of a debate on the question of what ought to be happening about television comedy and variety by claiming in the BBC Annual Report (just published, £10) that the corporation has given a new lease of life to quiz shows and improved its light entertainment by "reinventing traditional formats". He refers to the pastiche and parody series such as the Reeves and Mortimer quiz show *Shooting Stars*, *The Mrs Merton Show* which tries to make fun of the traditional chat format, and *Knowing Me, Knowing You*, one of the vehicles for Steve Coogan's presenter-from-hell. Birt states that, now, the BBC must "apply the same innovation to genres like variety and factual entertainment shows".

But do we really want more of these television caricatures, more navel-gazing? It works well only when the basic building blocks of the comedy are good. If you rely chiefly, let alone solely, on a pastiche character to get laughs, you will fail. Nigel Planer made an entire series in which the "joke" was that he, as an earnest luvvie, gave masterclasses in acting. It was funny for about four minutes. The same was true of BBC1's *500 Bus Stops*, which ended last night and in which Graham Fellows played a musician of boundless self-confidence and no talent.

The Mrs Merton Show is a one-idea concept which could work well if the material written for Caroline Aherne (Mrs Merton) was as good as that written for, say, Morecambe and Wise. The mere idea of a young comedian impersonating a frumpy middle-aged Midlander is not enough in itself to sustain a whole episode, let alone a series.

Barry Humphries succeeded splendidly for years with Dame Edna Everage not because he was so good at the impersonation (though he was) but because the material he used within that character was so funny. Television's obsessive self-regard can be exploited once in a while by a brilliant parodist, but the notion of taking entire departments down the road to pastiche is deeply ominous. The BBC needs to return to the rock face and graft away at the basics.

Even now, with midsummer upon us, factual television programmes are holding up well, especially on BBC2. The past week has seen the beginning of *The Terror and the Truth*, a series dealing with what might be called The Nuremberg Problem: what nation states can do to achieve justice after excessive violence has occurred during a war.

Sunday's opening episode began with Rwanda and the question of what should happen to the 90,000 suspects held in prison, and spread out from there to consider what has happened in Argentina, East Germany, Bosnia and elsewhere. It is not the sort of subject to which television usually lends itself well, but producer Michael Stewart managed to hold the attention and stick to the point by working repeatedly from the particular to the general. By pursuing individual cases of torture, collaboration and so on, he brought the big philosophical questions down to brass tacks.

A similar approach worked well in *David Dimbleby's India*, too. We saw something of the life of slum dwellers, of the rapidly expanding computer industry, of birth control, corruption on a grand scale, and something about caste and the position of women. In each instance, we came to the subject via the individual, a technique which is not new but which has lost none of its power. Given that it was limited to just two episodes to cover a vast subject, this series created a remarkable picture.

BBC2 has also begun a deeply satisfying series called *How Buildings Learn* which, obviously, they do not. The point is that, as the years pass, buildings change because the clients of architects learn. They learn that when an architect is told "Your roof leaks", his response is likely to be "That's how you can tell it's a roof" (Frank Lloyd Wright).

In Programme One, presenter Stewart Brand ran through a catalogue of idiocies such as glass-sided buildings which – surprise, surprise – act like greenhouses or have to be cleaned by mountaineers or, in the case of designs by le Corbusier, most famous modernist of all, need immediate modification by the inhabitants to make them useable. A more suitable title might have been *Why Don't Architects Learn?*

The two most memorable factual programmes of the week both looked for justice on behalf of people to whom it seemed to have been denied. *Cause of Death*, a drama in BBC1's *QED* series, made a frighteningly convincing case on behalf of a father whose son was taken into hospital with minor injuries from a road accident but, two weeks later, after a catalogue of medical and administrative inefficiency, was dead. The worst aspect was the contemptuous obscurantism with which the father's inquiries were treated by the medical establishment.

In *Trial and Error* on Channel 4, David Jessel investigated another instance of an Irishman jailed for conspiracy to cause explosions, including the Hyde Park bomb in which, to English fury, seven horses were killed. Yet again it became clear that the prosecution case was, at best, highly questionable. Following an official viewing of this programme, the case has now been sent back to the Court of Appeal.

So three cheers for Jessel and his producers, Channel 4, and television generally. When did a newspaper last put in the time, effort and money needed for such an achievement?

Theatre

Drama through a lens

Canadian playwright Robert William Sherwood's work has attracted considerable praise on its two previous showings at the White Bear in Kennington, south London. *Drinking in Circles* confirms that he is a writer worth attention.

The proceedings begin in a bar, where two men are chatting aimlessly about life in a manner reminiscent of the early scenes of David Mamet's *Glengarry Glen Ross*. Sherwood's characters, although they behave like ordinary folk, possess a slightly exaggerated lexicon, expressing sentiments like "I misgive". Frank and Paul's hyper-real discussion develops to the point where the latter offers to sell his life insurance policy to the former in return for a percentage of its sum upfront and six months of extravagant life, after which Frank may kill him. Suddenly the Mametian atmosphere becomes Faustian.

We then see Frank breaking up with Karen in the same bar, followed by Karen's challenges to Paul to define and demonstrate *his* love for her. Sherwood treats characterisation not as an organic whole, but shows us a series of facets of these people's personalities whereby Cubist portraits of their characters are built up: Holly Chant's Karen, for instance, is grave and stressed with Frank, and alternately coy and coolly domineering with Paul, who in turn moves in Morgan Symes's performance from despair to assurance to bewilderment.

Director Michael Kingsbury does not try either to impose an overall perspective upon characters nor to unify their vocabulary and delivery. Paul Goodwin's Frank shifts from deliberate underplaying against Paul (whom he assures, "You can trust me like you can trust your dawg") to an extravagant delight in his words, as he luxuriates sinisterly in his turns of phrase.

We only ever see exchanges in the blue-painted bar-room, as if the important events of life have been banished by it; indeed, frequent contrasts drawn by all three characters between "this bar" and life outside it, indicate that the bar symbolises the paralysed quotidian – everything important is elsewhere, and can only be discussed futilely within its walls. In the final scene, hitherto silent barmaid Yvonne delivers a mooted coder to the solitary Karen.

Sherwood's writing and Kingsbury's direction negotiate skilfully between the human sentiments expressed by the characters and the distorted manner and setting in which they are expressed. It is akin to watching a naturalistic drama through a fish-eye lens, and it is a grat*ifying experience.*

Ian Shuttleworth

White Bear Theatre, London SE11 until July 20 (0171-735 8664).

Hollow farewell at Covent Garden

Clement Crisp says state funding needs a refit as much as the Royal Opera House

As the curtain fell at the end of Monday's gala performance marking the closure of the Royal Opera House for its two years of refurbishment, the dancers, singers, conductors and staff who were massed on the stage waved cheerily at us in farewell. I half expected someone to move and reveal, behind them, a life-belt emblazoned S S Titanic.

The evening was thick with star performers embedded in chunks of the House's repertory. Everything and everyone was cheered to the echo, of course, and speeches proclaimed splendours to come. And the troubles that have dogged the Opera House for years – wrong-headed funding, inequities between opera and ballet, preposterous pricing, indecision and temporising at board level – will not go away because of good intentions and a cheering public who mistake intention for action.

The root trouble at the Opera House is the vexed matter of state funding. Covent Garden is the least well subsidised opera house in Europe: only 40 per cent of its income comes from government. The rest is raised by box-office and sponsorship means, and miserably compromising these are. "Safe" – which is to say blockbusting – productions; a sense that our greatest national theatre is something of a private club for those prepared to be privately or corporately generous; a remoteness from the life of the greater part of the nation (no proper television policy, which might win a public; far too little national touring): these are the fruits of state penny-pinching.

We now have a government that shows an awareness of the artistic needs of the nation, and not only through the fool's gold of a lottery. If the pursuit of excellence, and the achieving of it, is truly an Opera House aim, then much increased subsidy is vital. Opera and ballet of the standard which Covent Garden must offer are hugely expensive. (If we look at the generous funding and policies in Paris, and the sensible prices found at the Palais Garnier and the Bastille, we can begin to understand why ballet and opera there present so lively and welcoming an aspect, and why audiences are so evidently national rather than exclusive.) It should be among the first tasks for the minister, Chris Smith, to secure government subvention for Covent Garden at a level which will liberate it from its Micawberish past.

> *'The best thing about the Farewell Gala was the fact that it was televised'*

Whatever else may happen to dance and opera in this country, the Opera House should be an ultimate repository of repertory and standards. (The need for a dance house – a home for the Royal Ballet, for English National Ballet, for important visiting troupes as for local enterprises – is an associated problem.) The Opera House's ineptitudes over recent years, so clear in the television series *The House*, will not go away just because the organisation is to be handsomely rehoused by 2000. That is the equivalent of slum-clearance without addressing the root matter of the slum-dwellers.

A break with the past, implied in the renovation and re-building of the fabric, must also be seen in the work of the companies it shelters, and of its boards. The Royal Ballet takes to the gypsy life this autumn without a musical director and sharing an orchestra; without a choreographer (nor any sign of a suitable creative talent to fill the post); with an unenterprising repertory, and with its classic stagings in doubtful shape. There must soon be evidence of policies that will regenerate the troupe.

The best thing about the Farewell Gala was the fact that it was televised. Public misconceptions – about ballet, about opera, about the Opera House itself – can best be remedied by such exposure. As the home of two great ensembles, the Opera House has a duty to show its work to the nation. If the lyric arts are to win a proper place in public taste, this is a prime duty for television companies and for Covent Garden. There are no longer acceptable excuses for a failure to show the Opera House's work.

Well, we shall see. I have sat in this theatre since 1946. Then it was truly a theatre for the nation, *making great things for the* nation. If government and the Covent Garden boards fail to bring a revitalised and more accessible Opera House to the public for the millennium, then let it be handed to the wolves.

Opera / David Murray

A touching musical encounter

The latest offering in the Almeida's "opera" season is Giorgio Battistelli's *The Cenci*, billed as "after Antonin Artaud" (rather than after Shelley). It employs four non-singing actors, an orchestral ensemble, a battery of live electronics and an elaborate system of image-projection. Though the piece itself lasts only an hour, after a break the audience is invited to return and play with the equipment while the image-show goes on and on with shards of the play.

Battistelli composes his own music, but in different ways for the different shows he creates. Last year's *Experimentum Mundi*, for example, was a "symphony" for a band of real Italian artisans; his *Teorema* at the Queen Elizabeth Hall a few years back was hushed and stark – and much more impressive, I thought, than the ludicrous Pasolini film that inspired it. In fact, Artaud's original 1935 version of *The Cenci*, a dark tale of incest and murder, was an "absolute disaster" in Paris, and Battistelli's show, whatever exactly it may be, is certainly not that.

The stage seems almost bare, but doors, flames, drapery, furnishings and food are continually called up by light (hi-tech work by the Studio Azzurro, Milan). As in a dream, the actors – Ian McDiarmid, Anastasia Hille, John Light and Kathryn Pogson – move slowly and intensely, with fraught silences between utterances. Watching McDiarmid find *just* the right angle, again and again, for his cockatoo-head to catch the best light is a regular pleasure.

Alastair Muir

Intense: Ian McDiarmid and Kathryn Pogson in 'The Cenci'

But the instrumental music is continuous, and it clings round their voices like a blossoming vine, picking up every implication and burgeoning expressively with it. This alert, intimately sensitive score is expertly conducted and timed by David Parry. It has its own electronic component to heighten the drama; beyond that, *the actors' cries and* whispers are often enhanced, echoed, modified and transported to far corners of the stage.

All that is achieved with great finesse: such un-ignorable finesse, indeed, that the drama tends to fade away behind it. We applauded the well-oiled *mechanism* (the metaphor is embarrassingly old-fashioned here), not the stylised action.

There was a strong whiff of Fabergé egg: intricate, fascinating craftsmanship, without any *Affekt* worth mentioning. I should like to hear *The Cenci* on radio – *stereo radio, of course! Undis*tracted by artful visuals, the musical *mélodrame* might strike deeper on its own.

Further performances at the Almeida Theatre, Islington, on July 19 and 20.

INTERNATIONAL ARTS GUIDE

■ AVIGNON

THEATRE
Avignon Festival
Tel: 33-4-9014 1414
Amphitryon: by Molière. One of two productions brought by Anatoli Vassiliev as part of a Russian season. Cast includes Valérie Dréville; at the Eglise des Célestins; Jul 21

■ CHELTENHAM

CONCERTS
Cheltenham Festival
Tel: 44-1242-227979
● Bournemouth Symphony Orchestra: conducted by Paul Daniel in works by Brahms, Schwertsik and Mozart; at the Town Hall; Jul 16
● BBC National Orchestra of Wales: conducted by Tadaaki Otaka in works by Brahms and Beethoven, and a new work by Julian Anderson; Jul 20

■ DROTTNINGHOLM

OPERA
Drottningholms Slottsteater
Tel: 46-8-457 0600
Euridice: by Jacopo Peri. Swedish premiere. Produced by Karl Dunér, and designed by Peder Freij, with the Drottningholm Theatre Orchestra conducted by Jakob Lindberg; Jul 16, 18

■ GRAZ

CONCERTS
Styriarte Festival
Tel: 43-316-825000
Handel's Fireworks: Jordi Savall conducts the Concert des Nations in the festival's final concert: Purcell's Fairy Queen Suite and Handel's Music for the Royal Fireworks; at the Stefaniensaal; Jul 20

■ LONDON

CONCERTS
BBC Proms, Royal Albert Hall
Tel: 44-171-589 8212
● Bernard Haitink conducts the BBC Symphony Orchestra, Chorus and the BBC Singers in Beethoven's Missa Solemnis; Jul 18
● Nicholas McGegan conducts selections from Mozart and Schubert's one-act opera *Die Verschworenen*, performed by the Orchestra of the Age of Enlightenment. Soloists include soprano Hillevi Martinpelto; Jul 19

DANCE
London Coliseum
Tel: 44-171-632 8300
● The Kirov Ballet: Symphony in C/Giselle – Balanchine's masterpiece is staged for the Kirov by John Taras of New York City Ballet, with casts to include all of the company's leading ballerinas; Jul 16, 17
● The Kirov Ballet: The Sleeping Beauty – casts vary; Jul 18, 19

EXHIBITIONS
British Museum
Tel: 44-171-636 1555
Arts of Korea: overview of Korean art and archaeology ranging from the Neolithic period to the 19th century. Exhibits include a royal gold crown from the Silla kingdom, early Buddhist manuscripts, Koryo(round) ceramics and 18th century landscapes. The exhibition is scheduled to run until 2000, when it will be replaced by a new, permanent Korean Gallery.

■ LOS ANGELES

EXHIBITIONS
Museum of Contemporary Art
Tel: 1-213-626 6222
Jeff Wall: first retrospective exhibition of the Canadian artist whose photographic work draws on the narrative traditions of tableau painting; the exhibition has been seen in Washington and will travel to Japan; to Oct 5

■ NEW YORK

Lincoln Center Festival 97
Tel: 1-212-875 5030
CONCERTS
● New York Philharmonic at the Avery Fisher Hall. Music director Masur's 70th birthday is to be celebrated in a programme of popular favourites. With Anne-Sophie Mutter and other guest artists to be announced; Jul 18
● New York Philharmonic at the Avery Fisher Hall. Kurt Masur directs a programme exploring countercurrents to Wagner, featuring the rarely performed Mendelssohn oratorio *Die erste Walpurgisnacht* and the Brahms Violin Concerto; Jul 19, 20

DANCE
The Royal Ballet at the Metropolitan Opera House: *The Prince of the Pagodas*. Music by Benjamin Britten. NY premiere of this three-act ballet, choreographed by Sir Kenneth Macmillan. Darcey Bussell is Princess Rose; Jul 18, 19

OPERA
Palestrina: by Hans Pfitzner. The Metropolitan Opera House is the setting for the New York debut of London's Royal Opera and US premiere of Pfitzner's opera, which tells the story of 16th century composer Giovanni Perluigi da Palestrina. Tenor Thomas Moser leads a cast of more than 40 in this production, seen at Covent Garden earlier in the year. The conductor is Christian Thielemann; Jul 21

■ ROME

CONCERTS
Accademia Nazionale di Santa Cecilia Tel: 39-6-6880 1044
● Orchestra dell'Accademia Nazionale di Santa Cecilia: conducted by Myung-Whun Chung in works by Weber, Schubert and Beethoven; Jul 17
● European Union Baroque Orchestra: conducted by Roy Goodman in a programme of works by Vivaldi, Telemann, Bach, Quantz, Heinichen and Rameau; Jul 18

EXHIBITIONS
Palazzo Venezia
Tel: 39-6-679 8865
Feste a Roma: Includes reconstructions of lavish, semi-permanent Baroque structures built to celebrate festivals, both religious and secular, which took place in Rome between the seventeenth and nineteenth centuries; to Sep 15

■ SALZBURG

THEATRE
Salzburg Festival
Tel: 43-662-844501
Jedermann: by Hugo von Hofmannsthal. Revival of Gernot Friedel's production; at the Domplatz; Jul 20

■ SANTA FE

OPERA
Santa Fe Opera
Tel: 1-505-986 5900
● La Traviata: Linda Brovsky directs this new production of Verdi's opera, set in the Parisian demimonde. The conductor is Christopher Larkin; Jul 18
● Arabella: Janice Watson sings the title role of Strauss's opera, in a new production directed by John Cox. The conductor is John Crosby; Jul 19

■ TANGLEWOOD

Tanglewood Festival
Tel: 1-617-931 2000
CONCERTS
● Seiji Ozawa conducts the Boston Symphony Orchestra in works by Takemitsu, Mozart and Beethoven. With piano soloist Peter Serkin, baritone Mark Oswald, and the Tanglewood Festival Chorus conducted by John Oliver; at the Shed; Jul 18
● James Conlon conducts the Boston Symphony Orchestra in a programme of works by Britten, Bruch and Stravinsky. With violin soloist Itzhak Perlman, tenor John Aler, and the Tanglewood Festival Chorus conducted by John Oliver; the Shed; Jul 19

OPERA
Les Mamelles de Tirésias: this fully staged production of Poulenc's opera, directed by David Kneuss, is preceded by two vocal chamber works by Ligeti; performed by the Tanglewood Music Center Vocal Fellows and Orchestra, conducted by Seiji Ozawa; at the Theatre; Jul 17, 19

■ VERONA

OPERA
Arena di Verona
Tel: 39-45-800 5151
Aida: by Verdi. Conducted by Nello Santi, in a staging by Gianfranco de Bosio; Jul 18

■ WASHINGTON

CONCERTS
Wolf Trap Tel: 1-703-218 6500
National Symphony Orchestra: conducted by Elizabeth Schulze in works by Tchaikovsky and Prokofiev; Jul 17

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European Money Wheel

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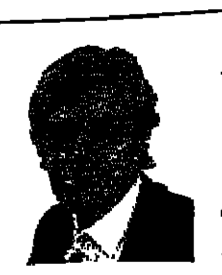
Financial Times Business Tonight



Edward Mortimer

Clinton doctrine

The US does not want to play the role of global policeman, prefering to delegate responsibility to regional powers

Remember the Nixon doctrine? During the Vietnam war, the US decided it was a bad idea to get its own armed forces bogged down in a regional conflict far from the main cold war battle lines. So President Richard Nixon announced a policy of building up regional allies capable of defending themselves without US troops.

Amazingly enough, Nixon himself described his policy in Cambodia as "the Nixon doctrine in its purest form" because after 1970 Congress would not allow him to send US troops to defend itself against North Vietnam.

The model case was Iran under the Shah. Amply furnished with US weapons, for which he paid, the Shah "contributed importantly to the stability of the region and to international security", in the view of the doctrine's true author, Henry Kissinger, and "he – or groups holding his views – might have continued to do so with a wiser policy by our successors".

As it was, the Shah eventually went the same way as the Lon Nol regime in Cambodia. In 1980 the Nixon doctrine was replaced by the Carter doctrine, under which the US promised to deal directly with attempts by "any outside force to gain control of the Persian Gulf region".

In 1990 President George Bush did not give his name to any new doctrine when he sent US troops to counter Saddam Hussein's seizure of Kuwait. Adapting cold war logic to a post cold war crisis, he simply decided to treat Iraq as an "outside force".

The end of the cold war enabled Mr Bush to act with the blessing of the UN Security Council, which was no longer paralysed by the Soviet veto. Instead of a doctrine, he proclaimed the "new world order": at last the UN would function as its founders intended, with the five permanent members, led by the US, acting as world policemen.

It did not last long. The loss of 18 US soldiers in Somalia in 1993 did for the new world order what the loss of 50,000 in Vietnam had done for the cold war: the US was again convinced that it must avoid involving its own forces except where vital US interests were at stake. (Many Americans indeed became convinced that US interests were threatened by the UN itself).

Presidential Decision Directive 25, which emerged from the Clinton administration the following year, reflected this change of mood. It laid down strict conditions for any new UN peacekeeping operation, and even stricter ones for US troops to participate. Proposals for new UN peacekeeping forces in Africa are now routinely blocked. Even the existing force in Angola has just been axed, in spite of the risk that this will mean yet another round of civil war.

US troops have remained under UN command in Macedonia. But everyone knows this will not be repeated elsewhere. Any operation important enough to require US troops is now considered too important to be run by the UN. Instead, like the current "stabilisation force" in Bosnia, it can be run by a regional organisation in which US control, and therefore US confidence, is much firmer: namely Nato.

Now, it seems, the Clinton administration sees this as the model for peacekeeping worldwide, with the difference that, outside Europe and the Caribbean, the US itself need not be directly involved. Other regions have their own regional leaders, who should of course be on good terms with the US but should spare it from having to shoulder the burden of world order directly.

This new version of the Nixon doctrine was spelt out last week by Mr Bill Richardson, the new US ambassador to the UN, in the annual foundation lecture at Ditchley Park, a British charity dedicated to fostering good transatlantic relations.

Mr Richardson paid only lip-service to the reform package which Mr Kofi Annan, the UN secretary-general, will announce today. Instead, he stressed, that "truly effective reform will depend in large part on the UN's ability to come to grips with, and adapt to, the vast transitions already under way in the international system and in particular the movement toward regional integration and co-operation".

Mr Richardson then plunged into the alphabet soup of regional organisations around the world: Nato, EU and OSCE in Europe; OAS, Nafta, Mercosur and the "Summit of the Americas" in the western hemisphere; Apec, Asean and its regional forum ARF in Asia; OAU, Sadc and Ecowas, with its peacekeeping arm Ecomog, in Africa. In the Middle East he tactfully ignored the Arab League, but clutched at the annual Middle East/North African economic summits, whose failure even to spawn an acronym shows how far they still are from becoming a true regional organisation.

True, Mr Richardson did allude to "the danger of regional organisations being used in the pursuit of regional hegemony". That is probably why he omitted the Commonwealth of Independent States (CIS) and the South Asian Association for Regional Co-operation (Saarc) from his list. The hegemonic powers in those two organisations – Russia and India respectively – are ones that cannot always be relied on to conform to US views or act in US interests. No such problems, apparently, with South Africa in Sadc, Indonesia in Asean, or even Nigeria in Ecowas.

He did also warn that "regionalism cannot be used as an excuse to shirk responsibilities at the global level". No indeed. But it may be a way of exercising those responsibilities on the cheap, while bypassing as far as possible the global organisation to which Mr Richardson is accredited, but which a Republican Congress remains most reluctant to support.

Global challenge: Bill Richardson (left) and Kofi Annan *Reuter*

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e.mail: letters.editor@FT.com Published letters are also available on the FT web site, http://www.FT.com Translation may be available for letters written in the main international languages.

Moves to patent genes fraught with disputes and high costs

From Dr Abby Munson.

Sir, Without patenting, it was argued in your editorial "Gene patents" (July 15), some of Europe's fastest growing high-technology businesses will be tempted to go to the US. This is simply not true for at least three reasons. First, European business will be aware of the huge patent battles in the US courts which haunt US biotechnology companies. GenPharm (from Mountain View), for example, claims to have lost as much as $100m in a patent dispute with Cell Genesys (Foster City).

Both have developed technology which produces mice with antibodies which are supposedly less likely to trigger immune reactions in patients, and both claim patent rights over this development. This patent battle has made other companies nervous to "do business" with either company, thereby reducing business opportunities. It also stops either from making any money out of the technology until the case is solved.

Second, European businesses with biotech interests realise that patents can in fact cost you money rather than make it. By 1993, for example, Du Pont had not persuaded a single pharmaceuticals company to buy a license to use the patented oncomouse – the mouse predisposed to develop cancer. Ultimately, it was too expensive, and companies would rather develop something similar themselves. Du Pont consequently declared that it would have to drop the royalty charge, and offer the animal at a lower fee than that originally proposed. With $15m spent funding the research, and a "substantial sum" on marketing, Du Pont had learned that patents do not equal profits.

Finally, European business knows full well that it is the US-based companies with biotech interests which are lobbying the hardest for Europe to adopt broad patent laws similar to the US model. US companies are eager to charge European companies, hospitals, research labs for using genes and DNA sequences already patented in the US. European companies at present do not have to pay US patent royalties and licence fees on genes they are working on just because US companies hold the patent rights.

As we all know you can't invent a gene – merely discover it – and so the real question should be "why have US companies been given patents on discoveries in the first place?"

Abby Munson,
campaign director,
The Genetics Forum,
5-11 Worship Street,
London EC2A 2BH, UK

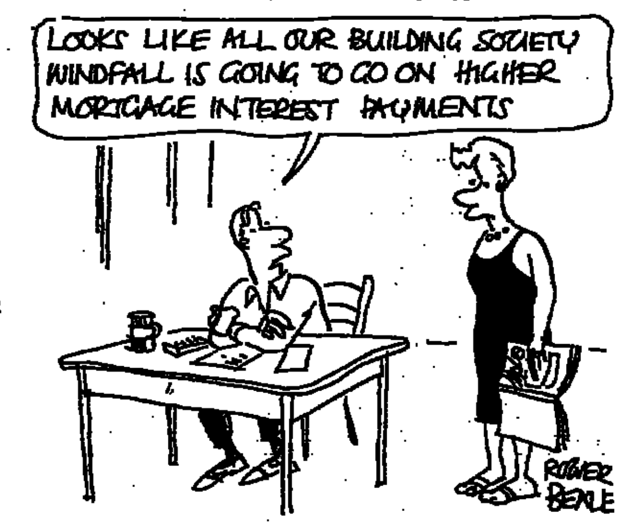
A brilliant strategy or good reason not to trust bankers with monetary policy?

From Mr Robert K Haywood.

Sir, Eureka – I have seen through it. Who could believe the Bank of England could devise such a subtle strategy. By raising interest rates and forcing the pound to such absurd heights it accomplishes one of the governments economic goals. Yes, it encourages lucky beneficiaries of windfall gains to travel to France and Germany to spend their new wealth. So it reduces overheating of the UK domestic economy and boosts that of our EU partners.

It is such a brilliant strategy that this realisation lifted the sense of helpless despair I was feeling about the impact of government strategies on the export-dependant engineering company where I work.

Robert K Haywood,
32 Weysprings,
Haslemere,
Surrey GU27 1DE, UK



From Mr Roger Backhouse.

Sir, The Bank of England's decision to raise interest rates shows that monetary policy is too important to be trusted to bankers. The traditional remedy of raising interest rates to stem inflationary pressures is reminiscent of the old-time surgeons whose only treatment was to apply leeches to the patient.

It has misdiagnosed the problem of excessive consumer spending. This is due to the cash released by building society flotations, not a credit-induced boom. There is no evidence it will last once the flotations are over. Raising interest rates is therefore no solution to consumer spending. The answer is for the government to stop building society flotations, which might be unpopular but nothing like as unpopular as continued interest rate rises.

Higher interest rates are distorting the value of the pound and damaging manufacturing industry, as well as the service sector dependant on foreign purchases. The rate rises are likely to increase unemployment which will wreck government welfare-to-work plans and increase pressure for higher taxes.

Governments, and especially Labour ones, should remember that monetary policy should be a servant, not a master. When giving the Bank of England control over interest rates the chancellor promised he would reverse the policy if it was found to be failing. Now is the time for him to have the courage to change course.

Roger Backhouse,
MELT Analysis,
112 Thorold Road,
Ilford, Essex, UK

From M Mary McD. Ledzion.

Sir, There is an excellent precedent for Mr Michael Nield's suggestion re the interest rate rise (Letters, July 11). Some years ago banks in Switzerland charged non-resident depositors interest on their holdings in Swiss bank accounts. We should do the same.

Certainly a "modest, non-recoverable tax on interest and dividends" would be justified. The only problem might arise with renegotiating some double taxation treaties.

Mary McD. Ledzion,
5 Capstan Close,
Cambridge CB4 1BJ, UK

EU cotton duties must not be reimposed

From Ms Arlene McCarthy MEP.

Sir, I was dismayed to read that provisional anti-dumping duties may well be reimposed on imports of unbleached cottons from China, India, Turkey, Pakistan, Indonesia and Egypt ("EU cotton dumping row flares", July 14).

During the previous complaint, I worked closely with two large textiles companies – Coats Viyella and Courtaulds – from my constituency to ensure that the duties were not imposed definitively. Indeed, executives from both companies came to Brussels last December for a series of discussions on the case, including a meeting with Commissioner Sir Leon Brittan.

Now Eurocoton is making a further attempt to get this legislation through. This protectionist position is heavily out of sync with the process of globalisation of the world economy. I would also concur with Eurocommerce that Eurocoton's third complaint for the same case constitutes "trade harassment".

One north-west company was forced to make 90 people redundant because of the burden of the interim duties and Coats Viyella estimate that the duties, incurred during the lengthy period of haggling and delays in the Council, cost it in the region of £2m. There has been enough delay and insecurity for local companies involved in dyeing and other finishing processes, while some developing countries which rely heavily on the export of unfinished cotton to the EU, depend upon the continuation of this trade.

Eurocoton should accept the previous verdict, which was reached fairly, rather than drag the European textiles industry through this process in a further attempt to impose these ludicrous duties which, far from protecting the textiles industry, will in fact wreck it as customers turn their back on the European finishers.

I will be writing to Sir Leon Brittan to urge him to consider the community interest investigation which was carried out in connection with the last complaint and to avoid a repetition of the damaging period of uncertainty experienced before the potentially far more harmful prospect of these bullying tactics actually succeeding. The stakes – an estimated 7,000 job losses in the UK alone – are too high to allow that to happen.

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European parliament,
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Belgium

Urgent need for a statutory warning

From Mr T.J.S. Hardacre.

The comments of Mr Justice Ferris ("Judge scorns 'shameful' fees in Maxwell case", July 11) are timely. However, a more urgent matter for reform is the practice of insolvency practitioners relating to the Company Directors Disqualification Act 1986.

A company director may seek advice concerning the liquidation of his company. If a liquidation results then any matters disclosed in professional confidence may be disclosed by the liquidator to the Department of Trade and Industry.

There is urgent need for a statutory form of warning to be given to directors seeking urgent insolvency advice that any information given by them may (and probably will) be given in evidence against them.

A wise company director takes his solicitor with him on any visit to an insolvency practitioner.

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China

Regulation approach a backward step

From Mr Branko Terzic.

Sir, I refer to your editorial "Re-regulation" (July 1). Who's kidding who? Introducing the alternative of "profit-sharing" to the present retail price index minus X is a form of the "rate of return" approach used in the US.

To determine the level of return on equity which will trigger any sharing will require exactly the same cost of capital studies which take so much time and expense in US regulatory proceedings. This is precisely the procedural morass which the price cap system (RPI-X) was intended to avoid. In fact, even the RPI minus X system uses a "rate of return" analysis to determine whether the "base" rates and ensuing adjustments do not result in excessive profits.

The authority for this statement is found within earlier statements of the former Oftel regulator, Sir Bryan Carsberg, as well as the original "white paper" of Professor Stephen Littlechild, now director-general of Offer, the electricity industry regulator. At least in the British system this was done only once every five or six years.

It is a pity that, at the time US state and federal regulators are turning to RPI-X systems (here called "performance" or "incentive" regulation), the British government is thinking of taking a step backward.

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Cost of capital just one of Lloyd's issues being assessed

From Mr A.R.J. Pascall.

Sir, I refer to your article "Lloyd's 'price war' starts at fraught time" (July 8) concerning valuation of syndicate capacity at Lloyd's and the views of the Association of Lloyd's Members.

First, the ALM has not recommended its members either to accept or reject any of the recent Lloyd's offers. Indeed, we do not have formal expertise in this area, one which is singularly lacking relevant comparisons against which to assess value: we have, however, published articles by independent professional commentators as a service to our members.

The balance of views of those Names elected to the ALM committee would be that their capacity is worth more than the (average) profits of a single year of account. It remains to be seen what multiple would prove to be tempting.

Second, the duties of a member's agent in giving advice to Names are clear and I have no doubt that Lloyd's regulators will ensure such advice meets their demands.

Third, as to the reported cost to the buyer of supplying capital – assessed by D.L.J. Phoenix at 50p per £1 – I would refer to the recent report by Mercer Management Consulting which, in assessing Lloyd's historical success, summarised a key feature thus: "The unique low cost capital pool which Lloyd's could access had few alternative uses, providing Lloyd's with low required rate of return on capital combined with high, but not infinite, tolerance for volatility." The secondary use by individuals of already deployed capital renders most traditional valuation methods inappropriate.

The implications of the scale of some of the changes at Lloyd's have not been properly assessed. Raising the cost of Lloyd's capital is but one of them.

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FINANCIAL TIMES

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Wednesday July 16 1997

Preparing for a bigger EU

The long-awaited plans of the European Commission to prepare the way for enlargement of the European Union, the so-called Agenda 2000, are due to be published today. Judging by the details which have leaked out already, there will be something in them for every existing member state to disagree with. That is no bad thing. But the danger is that the agenda may still not be tough enough.

All the EU members pay lip-service to enlargement, which is supposed to open the doors of the club to the emerging democracies of central and eastern Europe. But so far there has been a glaring failure of political will to face up to the internal EU reforms needed to make the promise a reality. These fall into two categories: constitutional reforms, to ensure that the EU remains a reasonably efficient and equitable operation; and policy reforms, to ensure that it is affordable. Both are still outstanding.

On the constitutional front, last month's EU summit in Amsterdam signally failed to agree on a streamlined commission, or on new voting rules, to prevent a proliferation of small member states from paralysing decision-making. The commission is calling for a new intergovernmental conference to decide the issue. Heaven forbid! The last one was interminable and thoroughly unproductive. These questions can and should be decided as an integral part of the enlargement negotiations to come.

The policy questions concern spending, and they are likely to be just as hard to resolve. The commission is politically realistic in suggesting that the overall level of EU spending should not be increased before 2006. Germany, as the biggest net contributor, will not contemplate any new budget demands. But Spain, as an important net recipient, will not agree to any cuts.

Top of the list is how to reform the creaking Common Agricultural Policy so that it is not bankrupted, above all by the entry of Poland with a large farm sector. Second is how to control the cost of the so-called structural funds, like social and regional spending, so that the present total is stretched to include the more deserving new members.

The commission's plans for the CAP look painful, involving cuts of up to 30 per cent in farm support prices, but they still do not tackle the underlying subsidy system, which is both inefficient and absurdly expensive. The CAP needs a complete rethink, and this is the right time to do so.

As for the structural funds, at least a budget cap will control costs. But it looks as if the Commission has ducked an immediate confrontation with Madrid, which is adamant that the cohesion funds cannot be touched. That is an unacceptable demand.

Too many members of the EU want to have their cake and eat it. Germany is the most glaring example: it is absolutely committed to the political aim of enlargement. But when it comes to curbing CAP spending, or allowing free movement of people from the new member states, Bonn will resist.

Extending the club will demand compromises from everyone. They are compromises which must be made.

Election funds

Accompanied by nationwide yawning, the senate hearings on improprieties in campaign finance started their second week in Washington yesterday. This indifference may seem curious, given that the Republican chairman claimed last week to possess clear evidence that the Chinese government had attempted to subvert the US election process by way of illegal funding. But there are at least three reasons why the hearings currently rank well below the Mars landing and Mike Tyson's eccentricities in the national debate.

The first is that the process so far looks more like a tedious partisan squabble than a serious investigation. The Democrats are running well ahead in the public relations battle: selective advance leaks of damaging information have taken the sting out of evidence of improper behaviour and put the story firmly off the front pages.

Next, discussions of irregularities in campaign finances are dense and arcane, as are the conspiracy theories which are being woven around the apparent links between the Clinton White House and the Lippo Group of Indonesia. This company has had long-standing connections with Clinton associates in Arkansas, but it takes patience and cold towels to work them out.

Finally, the American public seems largely indifferent to the ethical behaviour of its government. President Clinton enjoys high approval ratings despite all the allegations about his private life. Polls show that although most people disapprove of the way political campaigns are financed, few expect any significant reforms. It may be the result of years of relative prosperity, or a blurring of old ideological divides: whatever the explanation, there is much cynicism about the workings of the political system.

Of course the hearings could still explode into life in the months ahead. The Watergate hearings got off to a dull start before electrifying the nation a quarter of a century ago. In the admittedly unlikely event of a clear connection being made between, say, the Chinese government and suitcases of cash, the political importance of the process would be transformed.

For the moment, though, the betting is that the message of the hearings will be much more mundane – that the financing of the US political process is deeply flawed, and that no one is prepared to do much about it.

Law in Peru

President Alberto Fujimori of Peru is in danger of destroying what should be his enduring legacy.

He can take much of the credit for the transformation that has taken place in the country during the 1990s. When he assumed office in 1990, the economy was in near collapse and the state at the mercy of terrorists. Now, the economy looks healthier and terrorism is in retreat.

Those successes, however, are not yet secure. One important reason for this is the way in which Mr Fujimori and his small core of advisers manipulate power with little transparency and no accountability. There is thus increasing disquiet among many investors and citizens about the arbitrary way Peru is governed.

The latest and most blatant example of this lack of reliability in Peru's legal framework came in the past week. There were allegations on a nationwide television station about phone tapping by security services of businessmen, journalists, politicians and others.

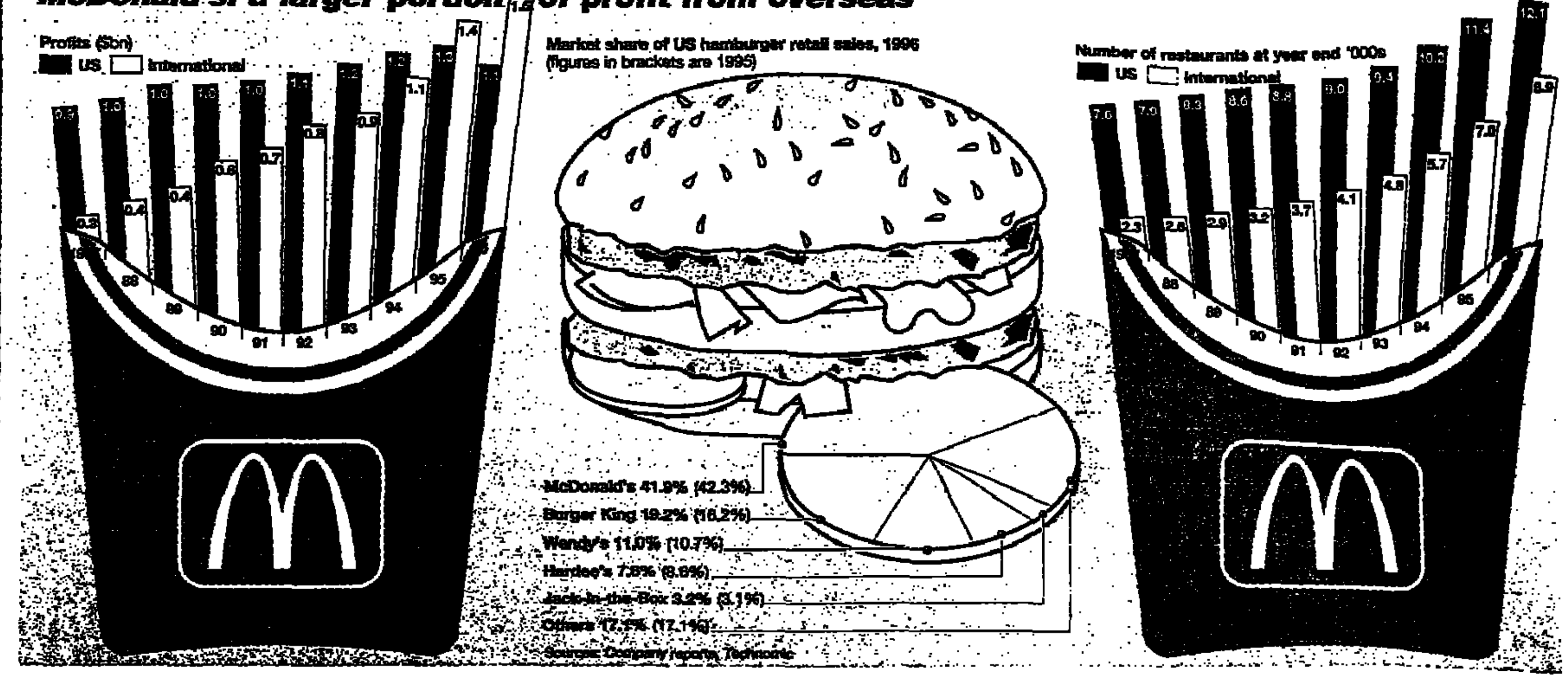
Within hours of the allegations being aired, "technical irregularities" were discovered in the application for naturalisation of Mr Baruch Ivcher, the station's owner. His nationality – granted in 1984 – was stripped from him. By implication, he must also surrender his network, which by law cannot be controlled by a foreigner.

Some leading Peruvian businessmen, all strong backers of Mr Fujimori in the past, have argued that such actions undermine the government's claim that Peru is a stable environment for foreign investment. And foreign investors will be disturbed if they believe their telephone conversations are being tracked by government agencies.

This is certainly not the sort of signal to be sending at a time when the country is embarking on a second phase of privatisation and seeking help from foreign private investors to rebuild the country's underdeveloped infrastructure.

Mr Fujimori's obsession with *strong leadership – and his lack* of tolerance for the opposition and healthy criticism that is an integral part of democracy – looks more and more like traditional Latin American authoritarianism. This is not good for the long-term stability of the country. What is needed instead is a firm and secure legal and institutional framework to allow the economy to flourish.

McDonald's: a larger portion of profit from overseas



When the chips are down

McDonald's strategy of opening more restaurants to compensate for falling US market share has backfired, says **Richard Tomkins**

In the 42 years since Ray Kroc founded McDonald's with his fast food restaurant in Des Plaines, Illinois, the McDonald's hamburger has become one of the world's most successful consumer products. Last year, according to the Interbrand consultancy, McDonald's ousted Coca-Cola as the world's best-known brand.

Yet even as McDonald's continues its relentless international expansion – Belarus, Tahiti and Ukraine are among the latest countries to experience the delights of the Big Mac – the company is facing its worst-ever difficulties at home. Americans seem to be losing their appetite for McDonald's and US profits have taken a tumble.

Last week the company announced a sweeping reorganisation of its US operations. It said it would split the company into five geographical divisions, each operating as a separate business with its own president. It also announced that Mr Edward Rensi, the long-serving head of the US company, was leaving because of "personal family commitments".

But this was just the latest in a series of attempts to restore growth to the US business, none of which has had the required result. It came only weeks after the embarrassing withdrawal of a 55 cent burger promotion that failed to generate the expected sales because customers decided there were too many strings attached to the offer.

Last year, McDonald's launched the Arch Deluxe line of higher-priced burgers that were supposed to appeal to adults with a spicier, more "grown-up" taste than could be satisfied by its traditional burgers. But the initiative hardly set sales alight: indeed, McDonald's has failed to come up with a successful new product since the introduction of Chicken McNuggets in 1983.

Meanwhile, the company has been trying to increase US sales by the simple expedient of building new restaurants. Some 70 per cent of decisions to visit a fast-food restaurant are made on impulse: so theoretically, the more restaurants a company has, the more opportunities it will have to capture this spur-of-the-moment trade.

After increasing its US outlets at the rate of about 200 to 300 a year for many years, McDonald's opened 841 restaurants in 1994, 1,130 in 1995, and 726 last year. But instead of generating a big increase in sales, the new restaurants mainly succeeded in taking sales from existing ones.

That produced a fall in average sales per store: and because the stores' overheads were largely fixed, their profits went down too. McDonald's US operating profits fell by 9 per cent to $1.1bn last year, partially offsetting the robust growth in international profits and leaving net earnings ahead just 10 per cent at $1.6bn.

Outside the US, McDonald's has been doing well. As the company frequently points out, it still serves less than 1 per cent of the world's population each day, so it has been able to expand rapidly overseas without running the risk of market saturation. Operating profits from outside the US have risen at a compound annual growth rate of 23.3 per cent in the past 10 years.

By contrast, US operating profits have risen by just 3.5 per cent. McDonald's has now retreated on its restaurant opening strategy in the US, saying it plans to cut the number of openings to about 500 this year. But just at a time when it needs the support of its franchisees, who operate 85 per cent of its US restaurants, it has alienated many of them by hurting their profitability with the store-opening programme.

Mr Dick Adams, a former McDonald's employee who now runs a group of disenchanted franchisees named Consortium Members Inc, blames poor management for McDonald's problems. The original entrepreneurs who were around in the days of Ray Kroc have passed on, he alleges, to be replaced by non-entrepreneurial corporate bureaucrats who have allowed lawyers and accountants to take too much control over the company.

Mr Adams says one example of the company's bureaucratic attitude was its decision to pursue a libel action against two environmental activists in Britain in what turned out to be the longest trial in English legal history. The case ended last month in a legal victory for the company, but was widely perceived as a public relations disaster.

Mr Jack Greenberg, now chairman and chief executive of McDonald's US operations, says that in the days when Ray Kroc was around, McDonald's was a very different organisation, with only 2,000 restaurants. "Today, with over 20,000 restaurants in 103 countries, you are talking about an organisation that is as big as some countries. So I don't think being able to replicate that is practical."

Even so, Mr Greenberg says: "The whole idea of last week's reorganisation was to try to create smaller units, to recapture some of that informality and entrepreneurial effort, and to break up the bureaucracy that got so strong and centralised."

Bureaucracy apart, however, Mr Greenberg says the main reason for McDonald's difficulties in the US is tougher competition. Some 26,000 quick-service restaurants opened in the US in 1995 and 1996, he says, outstripping the increase in consumer demand by a factor of two or three.

"And our competitors have re-awakened in the last couple of years," he says. "They are much more focused and better run than they were three or four years ago."

Wall Street analysts believe something more fundamental may be to blame: McDonald's products. They point to the fact that, while Burger King and Wendy's have increased their share of the US burger market, McDonald's share has shrunk. When consumers were asked to name their favourite burger restaurant in a recent survey for Marketing News, 37 per cent chose Wendy's, 31 per cent chose Burger King, and just 23 per cent named McDonald's.

Mr Damon Brundage, an analyst at NatWest Securities, says: "It's difficult for McDonald's to go on blaming a difficult competitive environment when Wendy's second quarter US sales were up 10.2 per cent."

Mr Greenberg says McDonald's is developing new production systems that will allow it to serve fresher food faster and allow people to choose their own garnishes, as they can in Burger King and Wendy's. It also expects to go back to toasting its hamburger buns, something it stopped doing a few years ago, and it is experimenting with new products.

But Mr Greenberg says there is no magic bullet that will turn the US operations around: it is just a question of pleasing every customer every day with quality, cleanliness and service.

"Marketing helps, new store openings help, the rest of it helps," he says. "But the fact is that this business is about what Ray Kroc called grinding it out, which was his way of saying fresher, faster, cleaner."

Franchisees feel the pinch on profits

Arguably, it beats burger flipping: but before you consider becoming a McDonald's franchisee, you should know how the system works.

First, you need money. In the US, McDonald's will not look at you unless you have personal resources of at least $75,000 in cash, securities or other investments, not including the value of your home.

If McDonald's approves you as a potential franchisee, you can either negotiate to buy out an existing franchise or acquire the franchise for a new restaurant.

If you go for a new one, you have no say in its location – McDonald's decides where it wants to put its restaurants, and you just have to wait for a suitable opportunity to arise.

When McDonald's offers you a restaurant, the company provides you with the land and building, but you supply everything else – the kitchen equipment, the restaurant furniture, the cash registers, the decor, the landscaping, the signs and the inventories. This is likely to cost between $400,000 and $650,000 up-front.

Once you open, you hire your own employees, and buy all your food and drinks from McDonald's-approved suppliers. McDonald's charges a one-off fee of $45,000 for a 20-year franchise, but makes most of its money by taking a percentage of franchisees' monthly sales.

The monthly fee used to be 11½ per cent of sales, comprising 8½ per cent to cover the rent for the building and land, plus a 3 per cent "service" fee. The fee has shot up to 17 per cent or more for new or renewed franchisees, comprising at least 13 per cent for rent and a service fee of 4 per cent.

Franchisees complain that this gives McDonald's an incentive to open new restaurants near to old ones because, even if overall sales do not rise, McDonald's gets a higher percentage of the sales that move from the old restaurants to the new ones.

In any event, with fees going up and hundreds of new restaurants fighting for customers, franchisees are feeling the pinch. According to Mr Paul Westra, an analyst at Salomon Brothers, the average annual profit generated by a franchised restaurant before interest and depreciation has fallen by $30,000 to $180,000 a year in the past two years.

Mr Hugh Schmidt, a franchisee with a McDonald's restaurant in Vail, Colorado, says: "If a new McDonald's store goes in close to you, your sales go down, and it becomes more and more difficult to make a dollar.

"It's a lot harder to fight another McDonald's than a Wendy's... That isn't why you got into this business: to fight yourself."

· OBSERVER ·

Ringing up added value

■ Ever since Goldman Sachs helped lead last year's giant public offering of Deutsche Telekom shares, the US investment bank has liked to think of itself as the world's top privatiser. But it may have to think again; BZW, Barclay's often-maligned subsidiary, is about to claim the mantle.

When the Italian treasury decided to sell its 44 per cent stake in national telecom carrier Stet, US heavy-hitters like Goldman Sachs were deemed to have conflicts of interest and BZW became global co-ordinator. At the time, the deal was worth a forecast $7.5bn, well shy of the $13bn raised in Deutsche Telekom's offering in December.

But booming demand for cellular phones in Italy – and some corporate rejigging – have helped lift the value of the government's holding to $14bn. If all goes to plan, BZW will leapfrog its US rivals to top this year's privatisation league tables. Investment bankers, like Napoleon's generals, must above all be lucky.

Flagging interest

■ Romanians have been taking down the flags after US president Bill Clinton's visit on Monday. But about 810 of the 4,000 have been filched by souvenir hunters – 800 stars and stripes to 10 Romanian red, yellow and blue tricolours. There can't have been too many hard feelings after Clinton refused to back Romania's application to join Nato.

Enlarger picture

■ One backroom hero behind the European Commission's 1,000-plus page Agenda 2000 blockbuster on EU enlargement to be unveiled today in Strasbourg is long-serving British Eurocrat Graham Avery.

He's been preparing opinions on the merit of each applicant country, providing solid economic analysis to help Dutch EU commissioner Hans van den Broek ensure Estonia and Slovenia got included in the talks, staving off pressure to restrict negotiations to the three German favourites – the Czech Republic, Hungary and Poland.

So what chance has Avery of heading the commission task force handling accession talks with the favoured five? Better now that his immediate boss François Lamoureux appears headed for a director-generalship in charge of budgetary matters. But he faces two obstacles.

First, commission president Jacques Santer's spokesman Nikolaus van der Pas is understood to be interested in the top enlargement post. Second, Avery is British, and some top Eurocrats think eastward enlargement is a sly London-led manoeuvre to turn the EU into a free trade area. Maybe Tony Blair will step in and lobby for him, especially as enlargement negotiations are due to start early next year – under the British presidency.

Red ink

■ It looks like France's Communist Party, uneasy partner in the new left-wing coalition government, is having a spot of trouble with fiscal responsibility.

The proletarian party apparently spent FFr7m during the general election campaign last month, against a budget of FFr4.5m. But officials aren't red-faced. The campaign was very short, they explain. And therefore party workers demanded lots of literature. Observer hopes the government sheds a bit more light on the national budget overshoot.

Pooper scoop

■ So now we know what spouses chat about as political leaders meet to solve the world's troubles. Sometimes it's dog droppings. Kuniko Hashimoto has told Japanese magazine Bungei Shunju that that's what she and Bernadette Chirac hobnobbed about as their husbands summitted. The background to the US and Japan setting the world to rights was a chat about late parenthood.

First wives try "to avoid talking about anything too complex. As a result, we end up talking about things that normal middle-aged housewives talk about," says Hashimoto.

She also says she sees more of her husband since he became prime minister: as trade minister he had lots of formal dinners, but as premier he's at home most evenings. His wife assures magazine readers they always have plenty to talk about.

Unbugged

■ There was much political noise in Italy last October when former premier Silvio Berlusconi protested angrily that he'd found a bugging device in his office.

Prosecutors yesterday stopped investigating suspected political espionage. They said the device wasn't capable of recording conversations, and placed under investigation someone Berlusconi had hired to sweep his office for possible bugs. They didn't suggest a motive for planting such an apparently useless device.

The Financial Times

100 years ago

War With America
Paris, 15th July. Inquiry at the United States Embassy to-day elicited a startling confirmation of the rumour that Spain and Japan have arranged an aggressive alliance against the United States. Senor Canovas and Marquis Ito yesterday held a long conference in Madrid at which a tacit, if not written, agreement was arrived at. The terms of the understanding, which is for the mutual protection of Cuba and Hawaii, provide that in the event of any actively aggressive move on the part of the United States Government tending towards interference in the affairs of Cuba, or persistence in the purpose of annexing Hawaii, both Spain and Japan shall declare war simultaneously

50 years ago

Aid Europe, Says Marshall
Salt Lake City, Utah, 15th July. Mr. George Marshall, U.S. Secretary of State, declared in a speech here last night that the U.S. must undertake enlarged economic aid to Europe or see the Continent turn away from democracy. The alternative to U.S. help, he said, might be to throw the war-torn nations into the arms of Communism.

FINANCIAL TIMES
Wednesday July 16 1997

Air unit will be modelled on Franco-German corps

Bonn-US defence link plan

By Ralph Atkins in Bonn

Germany and the US are planning to deepen their military links by setting up a joint air defence unit that could operate in crisis regions beyond the borders of the Nato defence alliance.

The unit, which may comprise 500-600 soldiers from the two countries, would be modelled on the existing 5,000-strong Franco-German corps established by German chancellor Helmut Kohl and former French president François Mitterrand.

The move – disclosed in Bonn yesterday – reflects Germany's determination to cement a close military relationship with the US following the withdrawal of more than 200,000 American troops from the country since the height of the Cold War.

Government officials dismissed suggestions that the plan for a joint unit reflected disenchantment with the Franco-German force or with military ties between Paris and Bonn, saying that it reflected the special circumstances of the American troop withdrawal.

It would allow the pooling of expertise, increase the capabilities of Nato forces and boost training opportunities.

Mr Volker Rühe, German defence minister, regards the move as a signal of US commitment to a continued presence in Europe.

Last night the US Defence Department confirmed that the "possibility and feasibility" of a combined German/US air defence unit were being examined "in the spirit of strengthening defence co-operation" between the two countries. But it said negotiations were continuing.

Although details of the new unit are still to be finalised and joint talks are expected to last until early next year, the unit is expected to be built up during 1998 and to become operational by the end of 1999.

It is likely to be armed with Patriot, Hawk and Roland air defence systems, which defend against incoming missiles and aircraft, and to have a fully integrated staff. Command would rotate between the US and Germany every three years.

The joint unit would be based in Germany, although the location has not yet been specified. The defence ministry in Bonn would not comment on the unit's areas of operations, but it is widely expected to have responsibilities beyond Nato territories – possibly including the Middle East. It is unclear whether the unit may also serve in the Americas.

The joint Franco-German brigade has served in Bosnia.

Arafat calls on Brussels to threaten Israeli sanctions

Palestinian leader warns over Mid-East violence

By David Gardner in London

Israeli intransigence is creating "a platform for fanatics on both sides" to drag the whole Middle East into violence, Mr Yassir Arafat, Palestinian leader, warned yesterday.

Speaking in London after meeting Mr Tony Blair, UK prime minister, he called on the European Union to threaten economic sanctions against Israel in order to salvage the Oslo peace accords, the core of the the now-suspended peace negotiations between Israel and the Palestinians.

In a speech to the Royal Institute of International Affairs, Mr Arafat warned that Palestinian patience had reached its limit and that the international signatories to Oslo – the US, Russia, the European Union and Israel's two Arab peace partners, Egypt and Jordan – must now demand that Israel abide by what are international agreements.

"Peace is not only a Palestinian need," Mr Arafat said, underlining that Israel's blockade of the Palestinian territories costs the economy three times more than Palestinians receive in international aid. "It is also an Israeli need, an Arab need, a European need, an American need, and an international need."

Negotiations between Israel and the Palestinians have been suspended for four months after the hardline government of Mr Benjamin Netanyahu started building a new Jewish settlement in occupied Arab east Jerusalem.

This was seen throughout the Arab world as part of Mr Netanyahu's attempt to dictate the outcome of the peace process.

This strategy, Mr Arafat warned yesterday, would envelop the whole region in "confusion" – the word he tends to use for violence. He accused Mr Netanyahu of "increasing the capability of the fanatic groups on the two sides".

Painting a picture of despair among Palestinians which would shortly escape the control of his 33,000-strong security forces, Mr Arafat for the first time openly called on Europe to use its economic might to bring the Israeli leadership to its senses.

"Seventy per cent of the Israeli economy depends on Europe," the Palestinian leader said with a margin of hyperbole, "and yet this card has not been played. You only have to wave this card and they will listen. Why are you not using the economic card? At least wave it."

Around half of all Israeli trade is with the EU, and under the recent partnership agreement reached as part of the Euro-Med strategy Brussels has devised to underpin regional peace, Israel gets unique access to the EU's research and development programme for its high-technology industries.

Nevertheless, firm German and Dutch opposition to any form of economic measures against Israel is likely to ensure that EU pressure over peace will not move beyond declarations.

Mr Arafat said yesterday he was willing to enter into "final status" negotiations with Israel – covering the future of east Jerusalem, Jewish settlements in the West Bank, the division of land and rights of Palestinian refugees – provided Israel kept implementing the first two Oslo agreements of 1994 and 1995, including troop redeployment from the occupied territories.

The Netanyahu government's only offer so far on troop pull-backs covers 2 per cent of the West Bank – "not enough for me even to go jogging in", Mr Arafat said.

Versace murdered in Miami

Continued from Page 1

magnet for the young glamorous. The pavement in front of the Versace mansion is the scene every night of a constant parade of models, actors, entertainers and tourists. The killing is likely to amplify concern among other celebrities about their safety in the region. Tonight's open air fashion show on Rome's Spanish Steps, one of the high points of the Italian fashion season, has been cancelled, at the request of his brother and sister. The first part of tonight's *sfilata* was to be devoted to Versace's collection.

Versace, who has been suffering from cancer, had declined to attend the Rome show on health grounds, preferring to stay with his male companion in Miami.

The last time the Italian fashion world was jolted by violent death was two years ago when Mr Maurizio Gucci was murdered in Milan.

Mr Giorgio Armani, a fellow fashion designer, said yesterday that Versace's death had left him in a state of shock. Mr Armani said Versace had overcome a very serious disease with strength and dignity, adding that he symbolised together with a handful of other names "the success of Italian fashion all over the world".

Versace, 50, a native of Reggio Calabria in the country's deep south, regularly hit the headlines with his provocative outfits for celebrities, including Elton John and Madonna.

Versace launched his first collection in 1978. The family company Gruppo Gianni Versace had estimated sales of L845bn in 1996. There are hundreds of Versace shops worldwide, and the name is also carried on an array of fashion accessories and perfume, as well as clothing. The total sales of Versace brand goods reached L1,500bn in 1995.

MCI president says BT knew strategy

Continued from Page 1

MCI intended to go ahead with the merger. "We have a deal which the investment community has overwhelmingly endorsed," he said.

He accepted, however, that he could not speak for BT before its annual meeting in Edinburgh today, when Sir Iain Vallance, BT chairman, will make a statement about the progress of the merger. It is believed that Mr Bert Roberts, MCI chairman, has pressed him to support the two executives at the centre of the controversy.

Observers commented that Mr Price might not have felt able to speak so freely unless Mr Roberts had succeeded.

Meanwhile the UK government has said it is to redeem its "golden" share in BT, completing the conversion of the former state-owned utility.

The process began in 1984 with the sale of the first of three tranches of shares to the public. The golden, or special, share is worth no more than an ordinary share but prevents BT from changing certain of its articles of association without the written consent of the secretary of state for industry.

THE LEX COLUMN

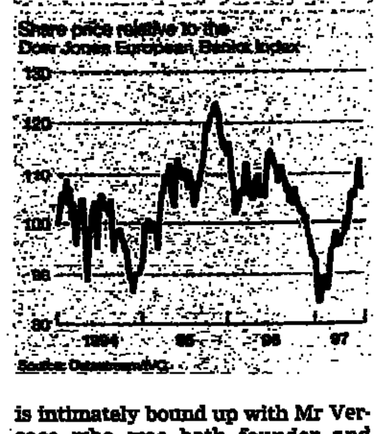
Banking on Japan

The ripples from Japan's Big Bang are reaching foreign shores. The prospect of comprehensive financial reform is certainly what has attracted Swiss Bank Corporation to team up with Long-Term Credit Bank of Japan. Their alliance, with joint ventures in investment banking, fund management and private banking, dwarfs the limited Japanese-western co-operations seen so far.

The deal makes plenty of sense for both sides. LTCB needs a new lease of life since deregulation is about to remove its privileged status as one of only four banks in Japan allowed to issue debentures. SBC brings expertise in corporate finance, equities and a full range of pension fund and private client products. In return, the Swiss will benefit from LTCB's extensive domestic distribution network and a top-notch corporate client list. The tricky part will be meshing two very different cultures. That LTCB is the only large bank in Japan not part of an old-fashioned *keiretsu* industrial group is some comfort. So is the fact that the investment banking venture will have a single pay structure and English as its single language.

This deal gives other western investment banks plenty to think about. Their Japanese operations remain largely confined to two areas: cross-border advice and proprietary trading. To build up a more durable and valuable domestic franchise may require an alliance such as this one. And there are not many attractive Japanese partners left.

Eurotrack 200 index
2681.4 (+3.9)



Versace

The tragic death of Mr Gianni Versace, the flamboyant Italian designer, raises a serious question: to what extent can and should companies insure against the loss of key individuals? It is normally small companies that resort to key-man insurance – the corporate equivalent of life insurance – as a means of protection from the loss of an important executive. Large companies are better placed to weather such a loss. But even they sometimes take out insurance if their fortunes are closely linked to one individual – such as the Virgin group, which earlier this year bought a policy when founder Mr Richard Branson went on a hazardous balloon trip.

Versace is certainly such a company: although large – sales were around L1,500bn ($875m) in 1995 – it is intimately bound up with Mr Versace who was both founder and chief creative spirit. His glamorous image as friend of the stars was also critical to Versace's development as a global brand. Top fashion companies do survive their creators; Christian Dior and Chanel are examples. Versace should not be an exception. But the company unquestionably is damaged: it has lost both its internal glue, and its very public face.

Whether insurance could compensate for this loss, and whether it existed, must be doubtful. At the very least, a hiatus will follow until it is clear how the company plans to go forward. It would be surprising if plans to float the company this year still proceed on schedule.

BT/MCI

Should British Telecommunications press MCI to renegotiate the terms of their merger and, if the US company refuses, should it walk away? The answer to both questions is probably yes. But it depends crucially on whether BT has the legal right to pull out of the deal. Five days after MCI's profit warning, there is still little clarity on the matter.

Calling off the merger would hardly be a cause for BT shareholders to rejoice. The $150m termination fee would be the least of its worries; this is merely a pinprick. More seriously, BT's entire global strategy would be in shreds. It could not go back to the *status quo ante* with its 20 per cent stake in MCI and their Concert joint venture for serving multinational customers. Still, MCI has even more to lose if the merger is cancelled. Not only would it lack an international strategy; the hefty merger premium BT is offering would vanish. In fact, given its profit warning, MCI's shares could plummet to well below $30 a share compared with the $45 value of the original offer.

Such calculations imply that BT should be in much the stronger negotiating position – as long as MCI does not have a strong case to sue the British group for breach of contract. If MCI, which is notorious for its hardball tactics, refuses to give an inch, BT should call its bluff. Caving in might look like the easy option; but BT's management, not to mention its shareholders, would surely live to regret it.

NatWest

Mr Derek Wanless has not yet bitten the bullet. But the National Westminster Bank boss is at least nibbling it. NatWest's scheme to transfer its corporate lending and treasury operations from NatWest Markets, its investment banking arm, back to the main bank may look cosmetic. In fact, it could presage much more radical surgery: not only is it now conceivable that NatWest Markets could be sold; there would be little point in reshuffling the assets if that was not being seriously considered.

There is undoubtedly untapped value within NatWest. But to release it, the company needs to think a bit like a predator or break-up specialist eyeing its business would. Few believed NatWest's current management would be able to change direction – they are, after all, the architects of the present tattered strategy.

Merely transferring assets will not be enough to regain credibility with investors. NatWest will have to follow through with disposals – either of NatWest Markets as a whole or some of its parts. It will also need to convince the market that it is doing enough to improve the performance of the core retail bank, whose cost/income ratio is higher than that of rivals. With such measures, the present management team may be able to restore its reputation. Potential merger partners, like Abbey National, which has been put off by concern that NatWest carries an investment banking albatross round its neck, may then be prepared to reconsider the matter.

Additional Lex comment on UK pensions, Page 19

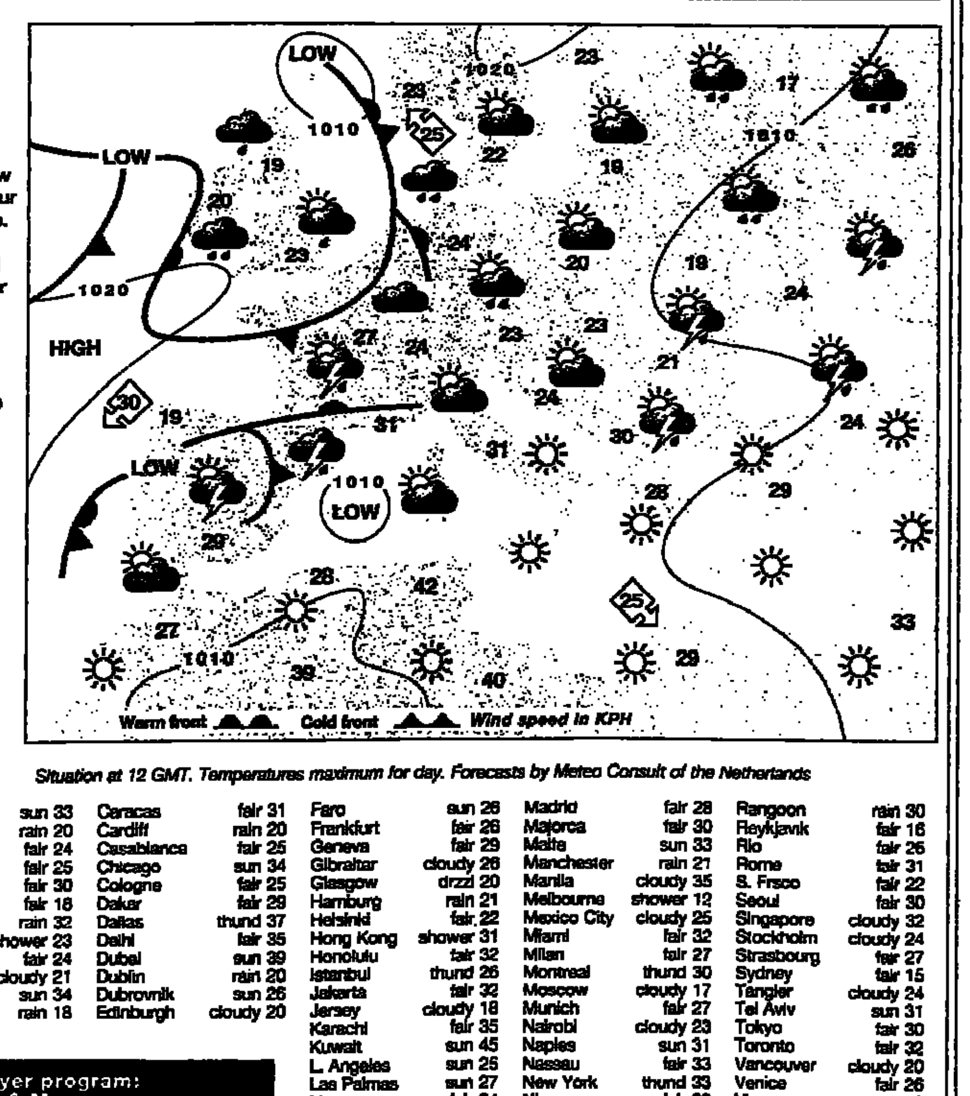
FT WEATHER GUIDE

Europe today

Most of north-western Europe will stay cloudy with some local rain or showers. This afternoon, cloud will break across the Benelux and western Germany. Meanwhile, a few scattered thunder showers will occur across southern and central France. Spain and Portugal will also have scattered thunder showers. Central Europe will become somewhat drier with only widely separated thunder showers in the afternoon. More thunder showers will occur across the Balkan states and the Ukraine, particularly near the Black Sea. The Mediterranean will have plenty of sunshine.

Five-day forecast

Pressure will continue high in the north and, as a result, it will remain fine across Scandinavia. The northern and western UK will also become drier and sunnier. Meanwhile, central Europe will turn unsettled again with some regions measuring large amounts of precipitation along with a risk of flooding.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum	Beijing	sun 33	Caracas	fair 31	Faro	sun 28	Madrid	sun 28	Rangoon	rain 30
	Celsius	Belfast	rain 20	Cardiff	rain 20	Frankfurt	fair 26	Majorca	fair 30	Reykjavik	fair 16
Abu Dhabi	sun 39	Belgrade	fair 24	Casablanca	fair 24	Geneva	fair 29	Malta	sun 33	Rio	fair 26
Accra	fair 28	Berlin	fair 25	Chicago	sun 34	Gibraltar	cloudy 26	Manchester	rain 21	Rome	fair 31
Algiers	sun 32	Bermuda	fair 30	Cologne	fair 25	Glasgow	drzzl 20	Manila	cloudy 35	S. Frsco	fair 22
Amsterdam	fair 21	Bogota	fair 18	Dakar	fair 29	Hamburg	rain 21	Melbourne	shower 12	Seoul	fair 30
Athens	fair 29	Bombay	rain 32	Dallas	thund 37	Helsinki	fair 22	Mexico City	cloudy 25	Singapore	cloudy 32
Atlanta	thund 33	Brussels	shower 23	Delhi	fair 35	Hong Kong	shower 31	Miami	fair 32	Stockholm	cloudy 24
B. Aires	fair 12	Budapest	fair 24	Dubai	sun 39	Honolulu	fair 32	Milan	fair 27	Strasbourg	fair 27
B.ham	rain 21	C.hagen	cloudy 21	Dublin	rain 20	Istanbul	thund 26	Montreal	thund 30	Sydney	fair 15
Bangkok	thund 35	Cairo	sun 34	Dubrovnik	sun 26	Jakarta	fair 32	Moscow	cloudy 17	Tangier	cloudy 24
Barcelona	thund 27	Cape Town	rain 18	Edinburgh	cloudy 20	Jersey	cloudy 18	Munich	fair 27	Tel Aviv	sun 31
						Karachi	fair 35	Nairobi	cloudy 23	Tokyo	fair 30
						Kuwait	sun 45	Naples	sun 31	Toronto	fair 32
						L. Angeles	sun 25	Nassau	fair 33	Vancouver	cloudy 20
						Las Palmas	sun 27	New York	thund 33	Venice	fair 26
						Lima	fair 24	Nice	fair 29	Vienna	cloudy 23
						Lisbon	fair 26	Nicosia	sun 32	Warsaw	fair 21
						London	cloudy 23	Oslo	fair 23	Washington	thund 34
						Lux.bourg	cloudy 25	Paris	fair 26	Wellington	fair 12
						Lyon	cloudy 30	Perth	fair 17	Winnipeg	fair 31
						Madeira	cloudy 24	Prague	fair 23	Zurich	fair 25

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FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday July 16 1997
Week 29

IN BRIEF

SKF reports market upturn

SKF of Sweden, the world's largest supplier of rolling bearings, said industrial demand had revived in its key west European market and it forecast a steady improvement during the year. The group, regarded as a barometer of the world economy because of its exposure to the main sectors, said demand had turned upward in the second quarter, reversing a negative trend going back to 1995. Page 18

Margins squeezed at Banco Popular
Banco Popular, the highly capitalised Spanish bank that recently completed a stock buy-back, has reported lower than expected first-half results, which it attributed to a squeeze on margins because of lower interest rates. Page 18

TI shares jump 9% after report
Texas Instruments said strong semiconductor sales and improved operating margins were behind a surprise fivefold increase in second-quarter earnings from continuing operations, excluding special charges. Shares jumped almost 9 per cent to $106 as a result. Page 17

Merrill confirms record earnings
Merrill Lynch has dazzled Wall Street with record second-quarter earnings of nearly $481m, up 11 per cent from the previous year. Earnings per share of $1.23 far outstripped analysts' estimates of $0.94. Merrill's strong performance spanned its securities trading, investment banking and brokerage businesses, producing record first-half earnings of $947m. Page 17

Securitas downgrades listing
Securitas, one of Europe's leading suppliers of security services, became the latest Swedish company to downgrade its Stockholm stock exchange listing in protest at higher taxes on shareholders. Page 18

US utility takes control of Cepa
Southern Company, the US electricity group, is to buy *Hopewell Holding's remaining* 20 per cent stake in Consolidated Electric Power Asia (Cepa) in a deal valued at about HK$5bn (US$645m). Page 16

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Chief price changes yesterday

FRANKFURT (DM)			
Rises			
DLW	216	+	5
Varta	331	+	13
Falls			
Herlitz	158	−	7
Ind Werke	486	−	14
Porsche	2750	−	180
Schmalbach Lub	382.5	−	6.5
NEW YORK ($)			
Rises			
CCA Prison	28½	+	7½
Jlbn Chem	17½	+	3
Texas Insts	108⅞	+	11⅞
Falls			
Haemonetics	18¾	−	2⅜
Savannah Foods	16¼	−	2⅛
Trigen Energy	21⅞	−	3⅛
LONDON (Pence)			
Rises			
Active Imaging	13½	+	4½
Logica	742½	+	43½
Soco Int	333	+	31
Falls			
Ebief	37	−	6
Eurotunnel Uts	88	−	9
Shield Diag	510	−	32½
TORONTO (C$)			
Rises			
Goran Capital	39.25	+	2.75
Hurricane Hydr	6.25	+	0.80
Ipsco Inc	54.75	+	4.35
Paulin H & Co A	12.0	+	0.9
Falls			
Chia-Na-Ta	5.05	−	0.65
Old Canada Inv	4.75	−	1.25

PARIS (FFr)			
Rises			
BNP	256.5	+	5.2
SGS-Thomson	540	+	39
Falls			
Casino	287	−	6
Eridania BS CI	742	−	69
Imm France	325.0	−	7.1
Remy Cointreau	130.7	−	4.3
TOKYO (Yen)			
Rises			
Nagasaki Tsushink	708	+	44
Ono Pharm	4270	+	310
Yasuda Tr & Bk	435	+	25
Falls			
Fuji Spinning	392	−	23
Mazda Motor	380	−	21
Showa Shell	858	−	44
HONG KONG (HK$)			
Rises			
CDL Hotels	3.60	+	0.13
Cathay Pac Air	15.25	+	0.55
HSBC Hld (8)	254	+	5
HK Telecom	19.55	+	0.95
Jardine Intl	8.6	+	0.2
Falls			
New World Dev	47.3	−	1.6
BANGKOK (Baht)			
Rises			
Asia Credit	79	+	7
Hipro Electro	58	+	5
Phatra Thanakit	45.25	+	4.00
Falls			
Ayudhya Life	34.25	−	3.75
Siam Makro	78.0	−	8.5
The Manager	20.50	−	2.25

New York and Toronto prices at 12:30.

Guinness and GrandMet seize initiative in stand-off over merger

Partners reveal LVMH talks

By Ross Tieman in London

Guinness and Grand Metropolitan of the UK last night seized the initiative in their poker game with Mr Bernard Arnault, chairman of the French luxury goods group LVMH, over the future of the three companies' wines and spirits interests.

In a move which wrong-footed Mr Arnault – who opposes their agreed £24bn ($40.5bn) merger – they released details of talks between the three groups held yesterday about a possible break-up of LVMH's Moët Hennessy drinks business. Guinness and GrandMet said the finance director of LVMH, Mr Patrick Houel, met Guinness finance director Mr Philip Yea and GrandMet executives.

They discussed terms on which LVMH would transfer its Hennessy cognac brand to United Distillers and Vintners, part of GrandMet, in exchange for shares.

Under the same scheme, the Moët champagne brand would become wholly owned by LVMH. At present, Guinness owns 34 per cent of Moët Hennessy, and the two distribute their wines and spirits jointly in several countries including France and the US.

Details of the possible Moët Hennessy break-up were first discussed last Wednesday during a secret meeting aboard Mr Arnault's private jet at RAF Northolt in North London.

Mr Tony Greener, chairman of Guinness and Mr George Bull, chairman of GrandMet, met Mr Arnault, who controls 14.2 per cent of Guinness and 6.4 per cent of GrandMet. He is determined to protect his drinks business from being marginalised by the merger of the two UK companies' spirits businesses into GMG Brands.

Guinness and GrandMet said the proposals made at Northolt differed markedly from plans for a three-way merger of the companies' drinks businesses outlined by Mr Arnault in Paris a week earlier.

Their statement surprised Mr Arnault, who had been arguing for a merger of the three companies' wines and spirits businesses.

Last night an LVMH spokesman said "We still intend putting a three-way merger proposal to them tomorrow. It adds more value than anything else we have discussed."

The two UK companies insist they will carefully examine any proposal from Mr Arnault. "While there were elements of the new outline proposals which would not be in the best interests of GrandMet's and Guinness's shareholders in the form proposed, GrandMet and Guinness will assess in full the commercial and financial logic of this new proposal when it is detailed in writing," the joint statement said.

While the Northholt "build on the proposed GMG Brands merger, it is too early to establish whether any agreement can be reached".

Raisio shares up 34% after licensing deal

By Greg McIvor in Stockholm

Shares in Raisio soared by 34 per cent yesterday after the Finnish food and chemicals group revealed a North American *licensing* agreement for its cholesterol-cutting margarine, Benecol, with a division of Johnson & Johnson, the US consumer and healthcare products group.

The deal, giving New Jersey-based McNeil Consumer Products sole rights to use the key ingredient contained in Benecol, further fuelled investor interest in a product that is widely expected to gain a large international market.

A launch in the US is a big *step forward for Raisio*, which so far has marketed Benecol only in Finland.

It is due to introduce the product in Sweden later this year.

Shares in Raisio, which has been a shooting star on the Helsinki bourse since international investors became aware of Benecol in early 1996, closed FM110 ($20%) higher at *FM440* after peaking at *FM478*.

Raisio said the agreement with McNeil envisaged the *introduction of Benecol's* cholesterol-lowering ingredient in a variety of products on the North American market, starting next spring.

The deal gave hope to investors that Raisio is beginning to resolve problems in obtaining supplies of the plant sterols used to make stanol ester, the key agent in Benecol.

Raisio said it had identified enough potential raw material sources to satisfy market needs, adding it planned to build a stanol ester production plant in the US.

According to McNeil, nearly 100m Americans have raised levels of blood cholesterol. The population of North America is 70 times that of Finland, where the Benecol market is worth FM90m a year.

Stanol ester can be used in any fat-containing product, but Raisio has restricted it to margarine because of its high consumption in Scandinavia.

Mr Michael Finney, Scandinavia analyst at Dresdner Kleinwort Benson in London, said: "Fundamentally, the potential for Benecol is absolutely staggering. We could literally find it in a large number of products we eat every day."

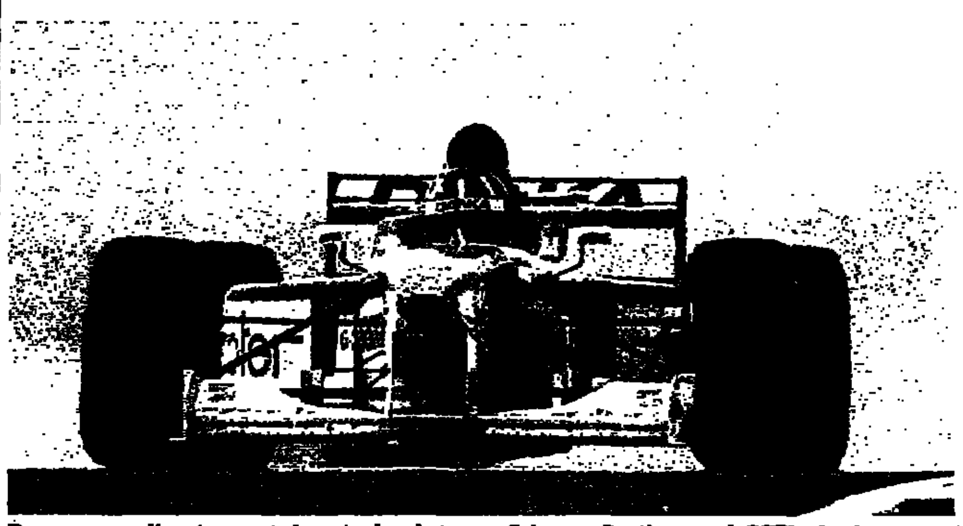
No financial details of the McNeil deal were disclosed but Mr Matti Salminen, Raisio chief executive, said: "We predict that its long-term impact will be very favourable on [our] financial performance."

Raisio has been searching for partners in the US, Europe and Japan.

The agreement is subject to approval by the US competition authorities.

Johnson results, Page 18

Advisers clash on F1 offer



Race row: a dispute erupted yesterday between Salomon Brothers and BZW, the investment banks, over the planned initial public offering of shares in the Formula One Holdings motor racing group Report, Page 19
Picture: Reuters

Korean banks bail out Kia

By John Burton in Seoul

Kia, South Korea's third largest carmaker, averted possible bankruptcy yesterday when creditor banks agreed to provide emergency loans.

It was the third rescue of a heavily indebted Korean conglomerate since April. Korean banks decided to prevent further big corporate collapses following the bankruptcy of the Hanbo and Sammi steel groups this year.

Kia's creditor banks, led by Korea First Bank, said they would extend loans to 18 of the group's 28 subsidiaries in the next two months.

Kia sought financial aid from the banks as it faced difficulties in obtaining loans from *financing* companies *because* of what it said were "groundless" rumours about the state of its finances. Kia had problems servicing its debts because of a slump in domestic car sales this year.

The unexpected request by Kia for financial aid led to a 2 per cent fall in bank shares on the Seoul bourse.

Kia wants to reduce its debts of Won9,540bn ($10.7bn) by cutting jobs and selling Won795bn in property assets. It plans to *pare administrative costs by* reducing through mergers the number of affiliates.

The rescue package "should buy Kia crucial time until the benefits of its recent restructuring programme take effect", said Mr Kang Hun-suk, industry *analyst* at *ING Barings* Securities in Seoul.

Kia believes its fortunes will improve when it introduces five vehicle models this year to compete against offerings by Daewoo Motors, which overtook Kia as Korea's secondlargest car company.

Analysts said Kia's financial problems were largely caused by troubled subsidiaries.

Kia lacks diversified businesses to support its car operations during hard times while *its bigger rivals, Hyundai* and Daewoo, can rely on other profitable businesses to subsidise car operations.

Kia's financial woes have prompted speculation it might become a hostile takeover target for Samsung Motors.

Citicorp warns of squeeze on lending

By Richard Waters in New York

Citicorp, the US bank which earns most of its profits in emerging markets, yesterday warned of a global squeeze in the corporate lending business, prompting it to cut costs.

The warning came amid signs that the profits earned by US banks from credit card lending, traditionally their most profitable business, have eroded rapidly this year.

The country's banks, which have enjoyed five years of soaring profits, will find it hard to maintain their earnings growth because banks from other countries are lending aggressively again. Wall Street analysts said.

Mr John Reed, chairman of Citicorp, said that the more competitive international lending market was "a permanent reality". Citicorp would respond by improving quality and cutting costs.

The belt-tightening is in spite of a further 8 per cent increase in Citicorp's after-tax profits in the second quarter of this year, to more than $1bn, which reinforced its position as the country's most profitable bank. Chase Manhattan, the biggest US bank, also recorded an 8 per cent advance in profits, to $925m.

"There will continue to be reductions in spreads and fee levels in large corporate lending," said Ms Diane Glossman, a banking analyst at Salomon Brothers in New York. With mutual funds and other investors competing to lend money to emerging market borrowers, banks had been forced to cut profits from such lending, she added.

In the US, a rise in personal bankruptcies has led to higher losses on credit card loans, and competition among lenders has eaten into profits. Chase Manhattan said operating earnings from credit cards had fallen in the latest quarter due to higher credit losses and heavier marketing expenses.

Citicorp said earnings in its cards business had fallen 21 per cent, to $190m, although there was an 8 per cent increase in revenues.

Cost-cutting would come from streamlining the bank's operations and information technology. Citicorp is combining the technology systems that support its consumer and commercial banking operations.

Barry Riley

World growth for defined contribution pensions

The US boom in mutual fund *sales through* 401(k) employer-sponsored personal pension plans is the most visible sign of the progressive national conversion from defined benefit (DB) occupational pension plans to defined contribution (DC) structures.

American pension consultants are nervously adapting to the change from the more comfortable DB environment, in which employers bear the investment risk should the returns fail to cover the guaranteed benefits. With DC, the risks fall on plan members, although for the time being attention is focused on the *splendid returns* generated by Wall Street's spectacular bull market, and not on the potential downside.

For actuarial and other benefit consultants, the shift to DC is threatening to business, but investment consultants could find new opportunities. InterSec Research has just completed a significant international survey of DC pensions provision. The work has been done for US institutions that wish to assess the scope for the US model to be replicated elsewhere.

However, defined benefit plans remain globally dominant. The survey of 50 countries – excluding the US – shows that the funds of DB schemes were worth $3,430bn at the end of 1995 and DC assets only $490bn. However, a shift towards DC is visible, with these assets growing at 16 per cent annually against 9 per cent for DB assets. By 2002, DC *funds will be worth $1,350bn* – but the DB sector will still be nearly five times as big.

Events are moving faster within the US. According to another Connecticut-based consultancy, Greenwich Associates, DC assets grew 22 per cent in 1996 compared with 9 per cent for DB plans. DC represents 38 per cent of total assets, but on present trends this proportion will grow to 65 per cent in ten years.

> There is a warning that a harsh investment climate in future would swiftly halt the DC bandwagon

An important change here is that the old problem of excessive risk aversion by DC plan members, who traditionally favoured low-returning bonds and deposits, has altered. An educational drive by employers has been effective – at any rate in bull market conditions. DC plans are slightly more heavily invested in equities than their DB counterparts – at 63 against 62 per cent.

But the educational process has been tainted by promotions of corporate stock. Thanks to heavy incentives, DC plans on average have an amazing 38 per cent of assets invested in the sponsors' securities, which amounts to a dangerous compounding of risks.

Even so, DC plans are offering more investment choice – on average 5.2 options in 1996 – *in line with the general* American readiness to delegate responsibility to the consumer. According to InterSec, however, this is not the pattern elsewhere in the world, where paternalism still rules.

Under the important Chilean model DC schemes are run centrally, with controlled asset allocations. Elsewhere, as in continental Europe, old DB pay-as-you-go state schemes may be breaking down under demographic pressures but the successor DC plans remain tightly regulated.

US institutions seeking to capitalise on their domestic 401(k) experience, which has involved the transfer of retailing skills into an institutional framework, therefore have limited opportunities.

Canada looks promising, and there is scope in the UK (though DC assets are only 4 per cent of the total so far). However, US multinationals may be effective in transmitting the DC message to overseas subsidiaries more widely.

Implications for investment markets are limited, although the US precedent could indicate that a greater retail element in pensions may encourage trend-chasing rather than the *value-based approach of* professional institutional managers. More DC may imply greater volatility.

The InterSec survey has drawn a blank in Japan where defined contribution funds do not exist. There is a warning here, perhaps, that a similarly harsh investment climate elsewhere in future would swiftly halt the whole DC bandwagon.

US utility takes full control of Cepa

By John Ridding in Hong Kong

Southern Company, the US electricity group, is to buy Hopewell Holding's remaining 20 per cent stake in Consolidated Electric Power Asia (Cepa), in a deal valued at about HK$5bn (US$645m).

The agreement, announced yesterday, comes just nine months after Southern acquired 80 per cent of Cepa. The US group and Sir Gordon Wu, head of Hopewell and founder of Cepa, then signalled plans to co-operate in exploiting the growing market for Asian power plants.

Since the acquisition, the two sides have drifted apart. Last month, Mr Stewart Elliott, Cepa chief executive, was replaced by the head of a Southern subsidiary amid reports of a clash in management styles.

Mr Elliott had built Cepa alongside Sir Gordon, and his departure signalled Southern's move to take tighter control of its acquisition.

Under the terms of the deal, Hopewell will receive US$150m in cash and Cepa's 80 per cent stake in the Tanjung Jati B power plant in Indonesia.

Construction of the plant began last year, and is due for completion in 2000. The cash payment from yesterday's deal is expected to fund the completion costs.

"We believe this is a good deal for shareholders as it enables Hopewell to complete the development of this power plant and retain a significant interest in the power sector," Sir Gordon said.

The Hopewell chief will relinquish his role as Cepa's chairman, but will remain on the board.

For Hopewell, the sale of Cepa has eased its debt burden and strengthened its position in funding capital-intensive projects. But it raises questions about how the property and infrastructure group will replace earnings from Cepa, one of its prize assets.

The HK$9.74bn received from the sale of a 40 per cent stake in Cepa last October reduced Hopewell's total net borrowing to HK$9.17bn and lowered its net debt to equity ratio from more than 90 per cent to 34 per cent.

"Hopewell's debts were the reason for the original deal and they still need substantial funding for the projects on their books," said one Hong Kong utilities analyst. He said the main concern was an elevated rail and road mass transit system in Bangkok which is running behind schedule.

Although it now has full control of Cepa, Southern also faces substantial challenges with its acquisition.

At the time of the original deal, the US group cited Cepa's experienced management and its expertise in Asian markets as incentives behind the deal.

Over recent weeks, one of the projects inherited in the acquisition has also run into trouble. Pakistan's government has signalled that it may terminate an agreement with Cepa to build a US$5bn power plant.

Bold experiments in cultural integration

SBC and LTCB are the first to try merging traditional Japanese banking with western practices

As Swiss Bank Corporation and Japan's Long Term Credit Bank unveiled their ground-breaking alliance yesterday, one SBC official did not mince his words.

"The hard part of this [alliance] is not the capital structure – it is the logistics and management," said Mr Luqman Arnold, Asia chairman of SBC Warburg.

The challenge is huge. The SBC-LTCB deal marks potentially one of the biggest cultural experiments attempted in Japan's banking world.

Since the Japanese government announced last year plans for "Big Bang" financial deregulation, a flurry of alliances has emerged between Japanese and western groups. However, these have so far been limited in scope, focusing on collaboration in specific services.

The SBC-LTCB deal is far more sweeping than a tie-up. They are planning a partnership of investment banking, asset management operations and staff in Japan. Consequently, the planned deal cuts to the core of a question dogging Japan's Big Bang reforms: whether western banking practice can be integrated with the traditional culture of Japan's financial sector.

Both groups have powerful reason to hope so. The deal for SBC represents a crucial plank in its ambitions to become a leading force in Japan and the rest of Asia. By teaming with a domestic bank, it believes it can turn Japan into a new "home market", on a par with its other "home markets" such as the US or Europe.

Even more is at stake for LTCB. As Japan's second-largest long-term credit bank after the giant Industrial Bank of Japan, LTCB knows it needs a new business direction if it is to survive Big Bang.

It hopes to turn itself into an investment bank and asset management group – rather like SBC did several years ago – to address the growing competition facing its traditional business, corporate lending.

Mr Katsunobu Onogi, LTCB president, says: "We want to transform LTCB into a completely new entity based on global standards. The alliance is part of this."

The business logic is certainly attractive. SBC has something that LTCB, like most Japanese banks, lacks – expertise in advanced global financial products and services, ranging from private banking to derivatives.

But LTCB has something which SBC Warburg, like other foreign groups, lacks – a distribution channel that allows access to Japan's vast corporate and customer client base.

The task for both LTCB and SBC remains a bold one. The fact that SBC is prepared to take the risk, though, shows just how seriously some foreign groups are now taking Japan's Big Bang

Teaming the distribution channel with the global financial expertise will potentially provide a cheap way for both groups to have a powerful advantage over their rivals come Big Bang.

Mr Onogi says: "We are quite complementary – if we each tried to do this on our own it would take enormous resources."

The question now is whether this vision of collaboration can work in practice? On paper, a structure is already in place – the core will be three separate joint ventures, focusing on investment banking, asset management and private banking. These will be co-ordinated by a steering committee, which might turn into a holding company once current regulations are lifted in Japan.

SBC/LTCB deal

The finances of the alliance:

1: Both groups will purchase a 3 per cent equity stake in each other, as a "symbolic" token of goodwill.

2: LTCB will conduct a capital raising of ¥200bn by way of ¥130bn of preferred stock and ¥70bn of subordinated debt. SBC will buy about 50 per cent of the preferred stock.

The structure of the alliance:

● *A new global investment bank:* LTCB and SBC will form a jointly-managed partnership called LTCB SBC Warburg Securities, which will be responsible for the Japanese investment banking business of both firms worldwide. It will combine the 420 staff at SBC Warburg's Japan operations and 280 staff at LTCB Securities, an affiliate of LTCB.

● Operations will start in early 1998, with a paid-up capital of ¥60bn, in which SBC and LTCB will eventually have an equal 50 per cent stake (although initially the LTCB stake will be limited to 40 per cent because of current restrictions).

● *A new asset management group:* SBC Brinson, the asset management arm of SBC, will link with LTCB Investment Management, an LTCB affiliate, to form a group called LTCB SBC Brinson. LTCB investment management has more than ¥1,000bn of assets under management and is the seventh largest pension fund manager in Japan.

● *A new private banking group:* the alliance intends to create Japan's first private bank, by linking SBC Private Banking with LTCB's customer services and client base. Initially the groups will conduct market research to access the potential product demand, before launching a fully-fledged service later.

Although the committee will be headed by an LTCB official, both sides stress it will be very much a union of "equals".

The most radical part of the plan is the operations on the ground. Both SBC and LTCB insist they want a complete cultural merger in the new joint ventures.

The joint investment banking group, for example, will have one type of pay and job structure for its employees, irrespective of whether they come from LTCB or SBC Warburg. A single language, English, will be imposed and the new entity will be run from a new office – rather than either of the existing LTCB or SBC Warburg branches.

The culture of Japanese banks has traditionally been at odds with western investment banking groups: Japanese management ethos has been based around the concept of a "job for life", with pay awarded according to age, and personnel rotated between departments.

Mr Johannes De Gier, SBC Warburg executive chairman, insists that merging these different cultures will be possible. "We have spent much more time learning about each other's culture than each other's financials," he says.

LTCB says it wants radical management change. Mr Onogi says: "We are trying to implement cultural change in LTCB – we need to implement global standards."

This will be made easier by the limited size of the personnel involved: LTCB has only 2,000 career track staff and the alliances will primarily involve LTCB's affiliates, rather than the core bank itself.

LTCB has another crucial advantage: it is virtually the only big Japanese bank not linked into a *zaibatsu* corporate network. This independence was a key attraction for SBC, Mr De Gier says.

Nevertheless, the task for both LTCB and SBC remains a bold one. The fact that SBC is prepared to take the risk shows just how seriously some foreign groups are taking Big Bang.

"What this shows is that we think that Big Bang is definitely for real – it will revolutionise the Japanese markets much faster than people realise," says Mr Arnold.

Gillian Tett

Bridgestone unit to expand in US

By Gwen Robinson in Tokyo

Bridgestone-Firestone, the largest subsidiary of Bridgestone, the world's largest tyremaker, is planning a $400m factory in the south-eastern US.

The company hopes the factory will help lift the group's market share from 16 to 20 per cent.

The factory will be Bridgestone's ninth in the US and 17th in the world, further challenging Goodyear Tire and Rubber, the US market-leader, on its own territory, said Mr Masatoshi Ono, chairman.

"Bridgestone-Firestone has enjoyed four straight years of improved market share and sales, and we are determined to build on this momentum," he said.

The new plant is also intended to help the Bridgestone group increase local production and reduce its reliance on imports.

The majority of Bridgestone tyres sold in the US are made in the country, but the group hopes to increase domestic production further.

Late last year it said it would spend $430m in 1997-98 upgrading its plants in the US and Canada to expand annual production of passenger and light truck tyres by about 4.7m units.

Bridgestone-Firestone, which is based in Nashville, Tennessee, will soon decide on the site for the new factory. It plans to start construction with a view to beginning production by early 1999.

The plant will start with a workforce of 300 to 400, growing to about 800 by 2000. By then, the factory's output is expected to reach 25,000 radial passenger and light-truck tyres a day.

ASIA-PACIFIC NEWS DIGEST

Citic eyes HK bus bid partner

Citic Pacific, the Hong Kong-listed arm of Beijing's main investment vehicle, may team with a local bus company to bid for bus routes on Hong Kong island. Citic Pacific is involved in negotiations through Dah Chong Hong, its car trading and maintenance unit. Preliminary talks have been held with Hong Kong-listed Kwoon Chung Bus Holdings, which runs bus services on Lantau Island, but the company is not ruling out participating in the bus franchise business independently.

The expected tender, for routes currently operated on Hong Kong island by China Motor Bus, may be opened next year. While a move into the franchised bus business would mark a diversification for Citic Pacific – whose activities span property and infrastructure, including aviation and power in Hong Kong – it is not the first time a mainland-backed body has shown an interest in the sector in Hong Kong. China Travel International Investment Hong Kong, the mainland-backed travel, tourism and investment group, this year paid HK$487m (US$63m) for an effective 20 per cent stake in Citybus Group, one of the territory's four franchised bus companies.

● Kowloon Motor Bus has been awarded a 10-year franchise to operate a public bus service. However, KMB's routes will be specified as non-exclusive to "pave the way for increased competition in the public bus services market", according to a government spokesman. The decision brings KMB into line with other franchised bus companies who operate non-exclusive routes.

Louise Lucas, Hong Kong

■ YAOHAN INTERNATIONAL

Shares suspended

Shares in Yaohan International were suspended yesterday amid expectations of further restructuring at the Hong Kong-listed arm of the Japanese retailing group. Trading in Whimsy Entertainment, which operates indoor entertainment centres and which is also controlled by Mr Kazuo Wada, head of the Yaohan retailing group, were suspended at the same time. Industry analysts said the move could signal the sale of a stake in Whimsy to a mainland Chinese company.

The group has undergone several restructuring steps this year. In April, Pacific Concord, the Hong Kong-listed retailing group, bought a stake of nearly 20 per cent. The deal marked the formation of an alliance between the two companies, with the aim of expanding in China.

Yaohan Japan, the flagship company of the retailing group, has faced problems in its expansion strategy and has seen its share price fall sharply over recent weeks amid reports of financial difficulties. This week, the company denied reports it was planning to file for court protection from creditors. *John Ridding, Hong Kong*

■ AIRLINES

ANZ rejigs Asian operations

Air New Zealand plans to restructure its Asian operations by cutting services to Bangkok and Osaka and developing Singapore as a regional hub for its alliance with Ansett Australia and Singapore Airlines. Mr Grant Lilly, Air New Zealand regional sales and marketing general manager, said the partners would also apply for Australian regulatory clearance for joint services to Europe via Singapore.

The airline also planned to bolster its presence in key Asian markets through code-sharing deals with Singapore Airlines and Ansett Australia, he said.

Air New Zealand will also seek Australian approval to extend its co-ordinated operations with Ansett on routes to Taiwan, South Korea and Hong Kong. "The network changes are aimed at providing a more effective coverage of regional markets and reducing duplication with our partners," Mr Lilly said. *AFX-Asia, Sydney*

■ INDONESIAN STEEL

BHP plays down buy talk

BHP, the Australian resources group, has played down suggestions that it is planning to take a stake in Krakatau Steel, the Indonesian steelmaker being prepared for a public float. Mr Ron McNeilly, chief executive of BHP's steel division, confirmed yesterday that the company had been approached by Krakatau Steel and the Indonesian government to consider taking a minority equity stake.

"BHP and Krakatau Steel have a long-standing relationship dating back to the early 1970s and for that reason they approached us and we agreed to examine their proposition and give it consideration," he said. But he stressed it was understood that the Indonesians had also approached other international steelmakers with an equity offer and BHP had made no decisions on the matter.

"Indonesia's domestic steel consumption is expected to grow significantly and rapidly in line with the economic growth forecast for that country," he said. "Because that market opportunity is likely to be largely met from domestic production, it is prudent to investigate it. But we are certainly not looking at steelmaking overseas in lieu of steelmaking in Australia."

Mr McNeilly was reacting to Indonesian press reports suggesting BHP would buy a 25 per cent stake in Krakatau as part of a public float planned for October. Mr Aidil Yuzar, the secretary general of Indonesia's Department of Industry, was quoted supporting the BHP purchase.

Bruce Jacques, Sydney

■ YANKEE BONDS

SAIL 'plans $100m offer'

Steel Authority of India (SAIL) plans to raise $100m via an offering of 10-year Yankee bonds in mid-September, investment banking sources said.

The proceeds will be used to part-finance long-term capital requirements for SAIL's expansion plans. Merrill Lynch and Lehman Brothers would lead manage the issue, the sources said. The bonds would be rated within a month. *AFX-Asia, Bombay*

Salim Group plans assets reshuffle

By Manuela Saragosa in Jakarta

The Salim Group, Indonesia's largest conglomerate, plans to separate its cement and food businesses in a deal that reshuffles assets between its listed units.

In addition, the Salim-controlled QAF food company of Singapore will buy a majority stake in Indofood, Salim's listed Indonesian food manufacturer.

To complement the Salim restructuring, the Singapore-based unit of HM Sampoerna, the Indonesian clove cigarette-maker controlled by Mr Putera Sampoerna, signed an agreement with QAF yesterday to create a regional investment arm for consumer, food and beverage ventures in Asia.

Mr Sampoerna has been looking to diversify away from the core clove cigarette business.

A complicated two-pronged restructuring of Salim group, controlled by Mr Liem Sioe Liong, one of south-east Asia's richest men, calls for Salim-controlled Indocement to sell its 51 per cent equity stake in Indofood to Indocement's shareholders and to the Sampoerna family.

The Sampoerna family will emerge with a 10.54 per cent holding in Indofood if the transaction is approved by minority shareholders.

Indocement's shareholders will be given a "special dividend in-kind" – the value of which was not disclosed – to sweeten the deal.

This has raised questions about the Salim family making a private profit from the transaction, because Indocement's shareholders are predominately private holding companies for the Salim family.

The second step of the restructuring would involve QAF, a Singapore-listed food company 70 per cent owned by the Salim Group, buying a 50.1 per cent stake in Indofood from these private Salim Group holding companies and Mr Sampoerna, in an acquisition worth Rp4,680bn ($1.9bn).

QAF said yesterday it would launch a five-for-one rights issue to help finance the acquisition.

In addition, the Sampoerna family will step up its involvement with QAF by acquiring a 10 per cent shareholding in the company from Salim Group which will retain control over QAF and in turn Indofood.

Mr Anthony Salim, president of the Salim Group, said the "streamlining" was in line with the group's aim of concentrating its core business into separate entities.

Following the proposed transactions, QAF would be developed into a pan-Asian food business, while Indocement would become a pure cement play in the Jakarta stock market.

"Segregating Indofood and Indocement will allow management of the companies to focus directly on each company's respective operations and core competencies," Mr Salim said.

COMPANIES AND FINANCE: THE AMERICAS

Merrill Lynch surges 11%

By Tracy Corrigan in New York

Merrill Lynch showed how it earned its nickname "The Thundering Herd" yesterday when it dazzled Wall Street with record second-quarter earnings of nearly $481m, up 11 per cent from the previous year.

Earnings per share of $1.23 far outstripped analysts' estimates of 94 cents.

Merrill's strong performance spanned its securities trading, investment banking and brokerage businesses, producing record first-half earnings of $947m, 12 per cent higher than the previous high set last year.

Investment banking revenues rose 8 per cent to $625m, fuelled by a record quarter in mergers and acquisitions and in spite of slightly lower underwriting revenues, the firm said.

In the second quarter, Merrill ranked second in completed global mergers and acquisitions, above Goldman Sachs, according to Securities Data.

Merrill also reported a 12 per cent rise in private client assets to nearly $950bn, in sight of the $1,000bn former chairman Mr Dan Tully set two years ago as a target for the end of the decade.

Commission revenues, primarily from trading, rose 11 per cent to $1.1bn, of which 42 per cent were defined as non-US trading revenues.

Mr Michael Flanagan, of Financial Service Analytics, said the results "appear to vindicate Merrill's international growth strategy."

Merrill has made a series of acquisitions outside the US in the last few years, including Smith New Court in the UK and McIntosh Securities in Australia.

Mr David Komansky, Merrill chairman, said that the firm would continue to target growth outside the US, and was planning to build its investment banking, fund management and private banking businesses overseas through acquisition and organic growth.

A spate of stronger-than-expected results suggests that the market's strength towards the end of the quarter compensated for a difficult April, contrary to expectations.

PaineWebber yesterday reported second-quarter earnings per share of 86 cents, compared with estimates averaging 75 cents; Donaldson, Lufkin & Jenrette on Monday reported earnings of $1.49 a share, compared with estimates of $1.20.

PaineWebber benefited from the strength of municipal bond and real estate investment trust markets, while DLJ's record net income of $100m was fuelled by fee income from mergers and acquisitions, and private equity business.

● Travelers Group, the US financial services group, yesterday reported record earnings per share of 99 cents in the second quarter, compared with 86 cents a year ago, beating analysts' estimates of 94 cents. Net income of $662.9m was up from $575.72m a year ago.

Whirlpool up in term despite lower revenues

David Whitwam: stepping up marketing efforts in Europe

By Richard Waters in New York and Peter Marsh in London

Whirlpool, one of the world's two biggest makers of home appliances, registered a 7 per cent slump in revenues to $2.1bn during the second quarter, reflecting tough market conditions in North America and Europe and the effects of a stronger dollar.

However, the US company still managed to lift after-tax earnings to $65m, from $52m a year before, on lower costs and interest expenses. Earnings per share, at 86 cents, were up from 70 cents last time and slightly ahead of most analysts' expectations.

Despite the revenue decline, Mr David Whitwam, chairman, said the latest figures reflected "significant improvements" in Europe, where the company generates about 30 per cent of its sales.

The number of appliances shipped in Europe during the quarter was higher than a year before, unlike other manufacturers, and sales in local currency terms were up 2.5 per cent, the company said. However, the translation effect of a stronger dollar led to a 6.7 per cent decline in reported European sales for the quarter.

The company has recently stepped up its marketing efforts in Europe, where it occupies the number three position in white goods behind Electrolux of Sweden and Bosch-Siemens of Germany.

However it has been hampered by weak demand, with industry representatives warning that total domestic appliance sales volumes across Europe will fall up to 2 per cent this year. Because of falling prices, the total value of sales of white goods across the continent is expected to decline this year for the fifth consecutive year.

In recent weeks, Electrolux, which vies with Whirlpool for the number one slot in white goods worldwide, has announced plans to shut 25 factories and cut 12,000 jobs around the world because of tough market conditions.

In North America, meanwhile, Whirlpool was held back by weak sales of new air conditioners. A cool summer last year had led to an overhang of equipment in stores this summer, Whirlpool said.

Appliance manufacturers had also faced a considerable weakening of demand among US consumers recently for durable consumers goods of all kinds, including items such as washing machines and refrigerators.

TI shares jump 9% on strong earnings report

By Louise Kehoe in San Francisco

Texas Instruments said strong semiconductor sales and improved operating margins were behind a surprise fivefold increase in second-quarter earnings from continuing operations, excluding special charges.

Shares of the US semiconductor and electronics manufacturer jumped almost 9 per cent to $106 yesterday on the news. Operating income for the quarter was $1.07 a share, well above analysts' estimates of about 87 cents.

Rapid growth in demand for digital signal processing (DSP) chips, which are used in a wide range of telecommunications, networking and multimedia applications, helped to boost revenues to $2.6bn, up 7 per cent from $2.4bn in last year's second quarter.

The 1996 figure included sales from TI's printer and mobile computing businesses, which have since been sold.

Results for the latest quarter included a pre-tax charge of $44m in connection with TI's decision to withdraw from semiconductor joint-ventures in Thailand, and a $66m gain from the sale of three businesses, the largest of which was software.

Net income from continuing operations, excluding the special items, was $213m, against $41m in the second quarter of 1996. Including the special items, net income was $224m.

Over the past year TI has divested several business units to focus on its semiconductor operations, and in particular DSPs. These chips were becoming the "core element in a growing number of electronic products", said Mr Thomas Engibous, president and chief executive. The world market for DSPs is growing at about 30 per cent a year and will reach $50bn over the next decade, TI predicted.

Overall, semiconductor revenues were up 17 per cent in the second quarter, compared with the same period last year, driven by higher sales of DSPs. However, TI continued to record a loss on sales of dynamic random access memory chips, and pricing pressures on these commodity chips increased towards the end of the second quarter, TI noted.

Volatility in the D-Ram market was expected to continue in the near term, TI said. However, the overall semiconductor market was making a "moderate recovery" from the decline precipitated by rapidly falling D-Ram prices over the past two years.

In its latest divestiture, TI sold its defence business to Raytheon for $2.95bn. The sale was completed this month and TI will record a net gain of $1.5bn in the third quarter, the company said.

For the year to date, TI reported revenues of $4.8bn, against $5.1bn in the first half of 1996. Net income from continuing operations was $326m, or $1.65 a share, compared with $173m, or 89 cents.

IRS gives go-ahead to GM spin-off

By Richard Waters

The planned $9.5bn sale by General Motors of its Hughes defence business has crossed one of its biggest potential hurdles, with news that the deal had received the blessing of the Internal Revenue Service.

Hughes Electronics, the GM subsidiary which is due to be dismembered as a result of the sale, said yesterday that the US automotive group had this week received approval from the tax authorities.

The complex deal, structured as a spin-off rather than an outright sale, has been among the most controversial at a time when both Congress and the IRS have shown concern about mergers and demergers that escape tax liabilities.

GM announced in January it had agreed to sell its defence business to Raytheon, after an auction among potential buyers. It is also mering the Hughes auto electronics unit, Delco, with its other car parts operations, while the satellite businesses will continue independently.

To avoid an outright disposal of the defence business, which would have led to a large tax charge, GM has structured the transaction to leave it nominally in control of the unit. The defence operations will first be spun off in a separate company, then merged with Raytheon.

While GM shareholders will hold only 30 per cent of the equity in the enlarged company, they will control about 80 per cent of the votes in the enlarged company, leaving them nominally in control and so avoiding a tax liability for change of control.

Some of the structures which have been used by Wall Street to avoid taxes on big corporate spin-offs have come under attack in Congress this year, with attempts to adopt legislation to make such deals taxable.

The Hughes defence sale is still dependent on the support of holders of GM's own stock and the separate Class H stock.

Charges prompt Enron to cut earnings targets

By Christopher Parkes in Los Angeles

Enron, the Texas-based international energy group, has reduced its 1997 earnings targets after charges drove it into a loss of $1.71 a share loss in the second quarter, compared with a 46 cent profit last time.

The news jolted Wall Street, and the stock fell more than $2 in early trading to $38½.

Although operating results were in line with expectations, the cost of settling a dispute over North Sea gas supplies, and a $100m charge to cover reduced margins on MTBE fuel additives, led to a $420m net loss for the quarter, against income of $117m in the comparable period of 1996.

Excluding these charges, the company said it had cut its internal profit goals for the full year by about 30 cents a share, to about $2.25.

Although the group said it was well placed to resume strong growth in 1998, prospects had been affected by three factors.

In addition to lopping $1.81 a share off the second-quarter results, the $675m pre-tax cost of settling a contract battle with Phillips Petroleum, British Gas and Agip over gas from the North Sea's J-Block, would incur annual interest charges of about 10 cents a share. The cost this year would be about 6 cents a share.

Hopes of a net gain from the reduction of Enron's stake in EOTT Energy Partners were unlikely to be realised this year, the group said. Product margins and the reduced value of EOTT made an early disposal unlikely.

Third, the removal of price hedges on oil and gas production and exploration was also likely to affect results.

"Because prices for the remainder of the year are highly uncertain, we cannot forecast that we will be able to fully offset the previously booked hedge losses through price increases in the second half of 1997," said Mr Kenneth Lay, group chairman.

Enron, which yesterday also announced plans to buy back 10m of its shares in the second half, said the best growth prospects for 1998 lay in its wholesale electricity business, increased oil and gas production and the completion of key power projects.

Mr Lay said the impact of the J-Block settlement had led to a "disappointing" quarter, but the new contract was "clearly beneficial" to longer-term earnings prospects.

SKF sees rise in demand for bearings

By Greg McIvor in Stockholm

SKF of Sweden, the world's largest supplier of rolling bearings, said yesterday that industrial demand had revived in its key west European market and forecast a steady improvement during the year.

The group, regarded as a barometer of the world economy because of its exposure to the main sectors, said demand had recovered in the second quarter of the year, reversing a negative trend going back to 1995.

The news, which came as SKF reported a 27 per cent drop in half-year profits, helped lift the company's shares. The most-traded B share rose SKr8 to SKr220 before slipping to close at SKr212.

Mr Peter Augustsson, SKF managing director, said: "The improvement in demand, which has begun in western Europe, should result in gradually rising sales in this market during the second half of the year." However, he said the picture varied between countries and customer segments.

Demand in the important German market rose, driven by industrial exports and investments. Industrial sales growth was strongest in Scandinavia, France and Spain, but was slower in Italy and the UK.

Sales to customers in the general machinery industry were marked by a recovery in northern Europe but no visible upturn in southern Europe, SKF said.

Meanwhile, sales to the industrial and west European automotive aftermarkets, for replacement parts, had not picked up.

Overall, SKF estimated that production and sales of cars in western Europe would increase marginally this year, but with substantial variations between countries. This was due in part to different national measures taken to stimulate sales.

Outside Europe, Mr Augustsson predicted volumes would continue to grow. He forecast SKF would take a 5 per cent share of the Japanese market "within some years", following agreements to supply bearings to Toyota and Nissan, the motor groups.

Pre-tax profits slipped from SKr898m to SKr659m ($84m) in the second half, in spite of a 7 per cent increase in sales from SKr17.5bn to SKr18.7bn. Favourable exchange rate fluctuations accounted for five percentage points of the sales increase.

Second-quarter operating profits were SKr662m, compared with SKr762m in the corresponding period last year and SKr695m in the first quarter of 1997.

SKF blamed lower margins and a drop in net financial items for the decline in half-year profits.

JCI chairman reaches for the main prize

Mzi Khumalo believes a merger with Lonrho will happen sooner or later, writes **Philip Gawith**

Mr Mzi Khumalo and Sir John Craven have two things in common: both chair large mining companies, respectively JCI and Lonrho, and both were born in South Africa. There the similarities end.

Sir John went the route of privilege, via an exclusive South African private school, to the helm of Morgan Grenfell and a seat on the board of Deutsche Bank. Mr Khumalo, by contrast, spent 12 years in the notorious Robben Island prison for pursuing the cause of the then banned African National Congress.

Now Mr Khumalo's JCI is in effect Lonrho's largest shareholder – it has an option over 26.7 per cent of the shares which will be activated in December. Lonrho last month rebuffed a merger initiative from JCI; Sir John is understood to have been keener on reaching an arrangement with Anglovaal, the South African mining house run by his old friend, Mr Basil Hersov.

But that option no longer looks possible. "Any attempt to merge Lonrho with Anglovaal ... we will block that," says Mr Khumalo. "Anyone who wants to deal with Lonrho has to come to Johannesburg to talk to us."

The perception in the JCI camp is that Sir John has obstructed a deal which other Lonrho managers – notably Mr Nick Morrell, chief executive, and Mr Terence Wilkinson, who runs the South Africa operations – were keen on. But Mr Khumalo says there is no bad blood. "We are not being hostile ... we would like to keep him [Sir John] on as chairman."

He says that if Lonrho and JCI were to merge, Mr Wilkinson would "probably" be chief executive of the new entity. "Terence is a really, really good manager." Mr Khumalo suggests a role for himself as a non-executive deputy chairman (he has other large commitments to the growing financial services conglomerate, Capital Alliance).

Mr Khumalo, of course, is under considerable pressure to make changes. JCI's share price has dropped to R29 since he paid R54.50 a share last November to take control. This can be largely blamed on the slide in the gold price, but he has not given the market much to be enthusiastic about, with episodes such as the departure of former managing director Mr Bill Nairn unsettling investors.

Mr Khumalo's first priority is to turn JCI's existing assets to better account. A fast-track strategic review is under way, with a report due by the end of this month. Job cuts and disposals are likely to follow. Already, 3,400 jobs have gone, with a further 3,500 expected.

Behind these efforts is the desire to get a better rating for JCI's gold assets. Mr Khumalo says Western Areas is valued at about $11 an ounce of gold reserves. This compares with average valuations of more than $100 in North America, until recent price falls. His aim is to get his mines' figures up to $50–$60. A key element in this will be to get JCI's production costs down to around $240 an ounce from more than $300 now.

The second priority is to acquire critical mass. Mr Khumalo wants to build a "serious, global mining business", but concedes that "JCI is very thin". Size is key to obtaining a decent rating, which in turn allows improved access to international capital markets.

All this leads to Lonrho, which offers access to platinum, a world-class coal business in the form of Duiker, and a London listing. Lonrho is also a key element in the restructuring of the South African mining industry; JCI wished to prevent it falling into enemy hands.

Mr Khumalo believes that a deal with Lonrho will happen sooner or later. The first step will probably involve JCI selling its coal assets to Duiker, and using the cash to pay down the money borrowed to pay for the Lonrho stake. Then, if no deal follows sooner, Mr Khumalo believes there will be a merger between the two once Lonrho demerges its non-mining assets. Common shareholders, he argues, will demand the cost savings that a merger would bring.

Sir John Craven: rebuffed merger initiative

Mzi Khumalo: wants to build 'global mining business'

Once JCI and Lonrho are in harness, Mr Khumalo sees potential for their combined operation to bid for other projects. With Gencor splitting its base metals interests into the offshore company Billiton, he has his eye on the precious metals operation left in South Africa. In particular, he would like to combine Gencor's Beatrix mine with JCI's Joel to form a large, low-cost producer.

The other South African mining house Mr Khumalo would like to do business with is Gold Fields. Two assets appeal: one is Kloof, a rich if troubled mine which has synergy potentials with Western Areas, the big growth project in JCI. The other is the Tarkwa mine in Ghana, close to JCI's own Prestea mine.

While such deals would help JCI develop critical mass, the main task is putting the gold mines on to a more profitable footing. Local commentators have said black managers such as Mr Khumalo and Mr Ramaphosa have a better chance than their white counterparts in extracting improved productivity from their largely black workforce. Mr Khumalo demurs: "It is not so ... it's nonsense. I have spoken to the unions at JCI and made it clear. We are here to run a business. I'm not for any of this brotherhood stuff."

In a country crippled by political correctness, where business finds itself under enormous pressure to pursue social ends, such frankness is breathtaking. Coming from a black businessman, it is especially so. Few whites dare question the empowerment mantra, and many blacks would like it enforced via legislation. Mr Khumalo, however, will have none of it. "I have never seen any of the companies I have been involved with as examples of black economic empowerment. People who have backed me have made money."

Capital Alliance shareholders, who have seen the value of their shares rise from R5 to R40 over the past 18 months, would applaud. But JCI and Lonrho shareholders still need persuading. Mr Khumalo recognises the challenge. "Business is about track record. People will never be comfortable with me in the City [of London] until I have been able to turn Lonrho around and deliver returns. Only then will people take me seriously."

For now, the jury is out. But Mr Khumalo is a rare bird in the South African undergrowth: a powerful black businessman who talks and acts the language of shareholder value, not entitlement. South Africans have learnt not to underestimate him. Now it is the City's turn.

Margins squeezed at Banco Popular

By Tom Burns in Madrid

Banco Popular, the highly capitalised Spanish bank that recently completed a stock buy-back, yesterday reported lower than expected first-half results, which it attributed to a squeeze on margins because of lower interest rates.

Net attributable income grew 4.7 per cent from the first six months of last year, to Pta31.4bn ($208m).

The growth rate contrasts with an 11.7 per cent rise in the first quarter, when sharply increased fee income and trading profits offset the squeeze on margins.

Net interest income fell 2.9 per cent to Pta86.7bn against the first half of 1996, and by 3.1 per cent quarter-on-quarter. As a net lender on the domestic interbank market, Popular is particularly vulnerable to falling interest rates.

Shareholders however, were appeased by an 8.7 per cent year-on-year rise in earnings per share, and the prospect of further growth following the recent buy-back.

The bank spent Pta34.3bn on repurchasing 4.1 per cent of its outstanding equity on the open market in May and June, with the board now authorised to cancel the acquired stock.

The buy-back was implemented at a time of high annualised returns: return on assets was up year-on-year from 1.92 per cent to 1.95 per cent, and return on equity rose from 20.27 per cent to 20.57 per cent.

With operating profits ahead just 1 per cent, to Pta61.1bn, the attributable earnings rise was mainly attributable to lowered provisioning because of the bank's healthy loan portfolio.

Popular, which is stepping up its retail operations to take advantage of improved domestic consumption, increased its credit to clients by 10 per cent, but its ratio of assets to non-performing loans fell from 2.29 per cent in June 1996 to 1.84 per cent at the end of last month.

The quality of Popular's balance sheet was underlined by a 100 per cent coverage of bad and doubtful loans, up from 86.6 per cent a year ago. The coverage is 141.7 per cent if mortgage-linked loans are included.

"We will see improved Popular results when interest rates bottom out at the end of the year," said Mr José Sevilla, senior banking analyst at Merrill Lynch in Madrid.

"In the meantime, Popular can maintain acceptable earnings levels through lowered provisioning."

CalEnergy in bid for NY utility

By John Labate in New York

The pace of US energy company consolidations picked up yesterday as CalEnergy, the independent US power producer, announced a $160m offer to take a 9.9 per cent stake in New York State Electric & Gas (NYSEG) and said it intended eventually to take over all of the east coast utility.

Mr David Sokol, CalEnergy chief executive and chairman, disclosed plans for an all-cash hostile bid to NYSEG shareholders following an unsuccessful round of merger talks between the two companies.

If successful, the bid would take CalEnergy's holdings of NYSEG common shares to 9.9 per cent, the legal maximum attainable without federal or state regulatory approval.

"This tender offer is CalEnergy's first step in the intended acquisition of 100 per cent of NYSEG's outstanding common stock," said Mr Sokol.

The offer is priced at $24.50 a share. CalEnergy has said it was willing to pay $27.50 for an all-out acquisition of NYSEG – valuing the company at $1.9bn.

On the announcement NYSEG shares rose $2⅜, or 13.7 per cent, to $24⅝. CalEnergy's shares slid $1½ to $38¾. Both companies trade on the New York Stock Exchange.

The deal would be unique since it involves an independent operator buying a US-based distribution company, when most such acquisitions have focused on overseas companies.

Benetton set for Sportsystem buy

By Mark Mulligan

Benetton, the Italian clothing company, yesterday pushed ahead with plans to buy sports equipment maker Benetton Sportsystem from the family holding company.

It will pay Edizione Holding L318bn ($182m) for a 57 per cent stake in Sportsystem, with an option on the remaining 43 per cent to be exercised by March 31 next year.

Benetton executives told the Financial Times last month the acquisition was part of a strategy to broaden its sportswear and sports equipment range. Sportsystem is best known for its Prince tennis racquets, Rollerblade skates, Kästle skis and Nordica ski boots.

Benetton plans to expand the company's clothing range, which accounts for only 10 per cent of sales, along with its own well-known brands. Production will be concentrated at Benetton's complex in Treviso, northern Italy.

Benetton last year posted net profits of L246bn on sales of L2,871bn, while Sportsystem incurred a loss of L14bn on sales of L1,246bn. The combined operation is forecast by Benetton executives to have sales of about L4,400bn a year. Sales to North America will account for 20 per cent of the total, compared with 7 per cent at Benetton now.

The acquisition will affect Benetton's gearing, lifting its debt to equity ratio from zero to about 30 per cent. At the end of 1997, debt will be L500bn, which will rise to L720bn once the option is exercised.

For Edizione, the sale will free cash to support its bid for a 5 per cent stake in Autostrade, the state-controlled motorway group which is due to be privatised later this year.

Roche, J&J post strong advances at six months

By Daniel Green in London and Tracy Corrigan in New York

Roche, the Swiss pharmaceuticals company, and Johnson & Johnson, the US healthcare company, yesterday kicked off the drug sector's half-year results season with strong figures.

Roche's sales rose 20 per cent to SFr9.3bn ($6.3bn), above analysts' expectations. The non-voting shares reacted with a rise of SFr140 to SFr14,425, which compares with SFr9,000 a year ago.

J&J reported net earnings of $909m in the second quarter, up nearly 15 per cent from last year, in spite of the negative impact of the strong dollar.

Net earnings of 68 cents a share, up 13.3 per cent from last year and in line with analysts' expectations, were wrung out of sales of $5.7bn, up less than 6 per cent.

The results were in line with expectations and the shares were trading $1¼ lower at $61⅜ in early New York trading.

Both companies were strongly affected by the strength of the dollar against continental European currencies.

J&J said the currency factor dented second-quarter sales by 3.2 per cent. Drug sales of $1.93bn were up 7 per cent, which included 13.6 per cent growth in US sales but just 1.4 per cent abroad.

Leading the drug sales growth were Risperdal, an anti-psychotic medication, and Procrit, for anaemia.

J&J's professional division, which includes medical devices, had sales of $2.15bn, up 6 per cent.

Consumer product sales rose 4.4 per cent to $1.61bn, led by strong performances from non-prescription medicines and from skin care.

Meanwhile, the dollar's rise flattered Roche's results. The company said the sales gain expressed in local currencies for the period was 6 per cent.

It singled out its drugs and diagnostics divisions as having faster growth in the second quarter than in the first.

Pharmaceuticals sales for the half rose from SFr5.02bn to SFr6bn, while diagnostics sales rose from SFr364m to SFr462m.

Further growth is likely later in the year, helped by last month's acquisition of Bermuda-based Corange, which controls German pharmaceuticals company Boehringer Mannheim. The deal took the company into the world's top five drugs companies by sales.

Its acquisition of US company Tastemaker was approved on March 31, making it one of the world's largest suppliers of flavours.

INTERNATIONAL NEWS DIGEST

Interest costs keep Raytheon flat

Higher interest costs and tax-related income adjustments cancelled out a 13 per cent rise in second-quarter operating profits at Raytheon, the US aerospace and engineering group. Net income was unchanged at $209.5m and earnings per share edged up 1 cent to 89 cents, the company said. Operating income of $382m, compared with $339m, was bolstered by record results from the general aviation aircraft and electronics systems divisions.

The group, which closed its acquisition of Texas Instruments' defence operations last week – after the end of the quarter – said its electronics businesses were the quarter's strongest performers. Sales rose 14 per cent and operating profits were 22 per cent higher than a year ago. Engineering and construction reported flat profits, and the appliances business, most of which is being sold in a deal announced this week, earned operating income of $26m on revenues of $398m.

Christopher Parkes, Los Angeles

■ SWEDISH EQUITIES

Securitas downgrades listing

Securitas, one of Europe's leading suppliers of security services, yesterday became the latest Swedish company to downgrade its Stockholm stock exchange listing in protest at higher taxes on shareholders. The defection from the main A list to the O, or unregistered, list follows similar moves by a series of Swedish companies. These include Hennes & Mauritz, the fashion retailer, Marieberg, the media group, and Assa Abloy, the lockmaker. Securitas said the switch would take effect on July 23.

Unlike the A list, the O list – designed for smaller, growing companies – is exempt from wealth tax on shareholdings. It has become a refuge for larger groups after a government decision last year to extend the wealth tax to cover 100 per cent of individuals' shareholdings, up from 75 per cent. The wealth tax is 1.5 per cent.

There had been fears that the shares of companies which have left the A list would suffer from lower liquidity, because some institutional investors are prevented by in-house rules from buying shares which lack a main listing. But Mr Hakan Winberg, Securitas chief financial officer, said there was no real disadvantage. "The trend [among investors] is to look at the liquidity of the share and the kind of company, rather than what listing it has," he said.

Greg McIvor, Stockholm

■ ROM TELECOM

Five banks vie for mandate

Romania is expected to select the adviser for the privatisation of Rom Telecom, the state-owned telecommunications utility, from a list of five leading investment banks on Monday. The mandate, one of the most fiercely contested advisory contracts on offer in east Europe, initially attracted applications from 36 banks.

The number was reduced to 10 in the spring, and Mr Sorin Pantis, Romanian communications minister, said yesterday the list had now been cut further on the basis of the "technical quality" of the offers. The final selection had been delayed until the beginning of next week by uncertainty over the nature of the success fees being demanded by some of the banks, said Mr Pantis.

Romania is seeking in the first stage a strategic investor to take a stake of about 30 per cent in Rom Telecom, in a deal which is expected to value the utility at between $4bn and $6bn.

Kevin Done, East Europe Correspondent

■ GERMAN INDUSTRY

Viag names finance chief

Viag, the large Munich-based industrial conglomerate, has ended a year-long search for a finance chief. It announced yesterday the appointment of Mr Erhard Schipporeit as finance director with effect from October 1. Mr Schipporeit is currently chairman of Varta, the battery manufacturer.

Mr Schipporeit, 48, has worked at Varta for 16 years and is understood to have been attracted by the offer of a senior position of a group with an annual turnover of DM42.5bn ($23.7bn) – compared with DM2bn at Varta.

Separately, Mr Georg Obermeier, Viag chairman, told the group's annual meeting in Munich he expected an increase in Viag's sales this year and, despite start-up losses in telecommunications, stable or slightly higher earnings.

Ralph Atkins, Bonn

■ ITALIAN STOCK EXCHANGE

Sell-off to raise L40bn

The Italian Stock Exchange Council yesterday unveiled details of the long-awaited privatisation of the Italian bourse, to be completed by the end of September. The sale will raise a minimum of L40bn ($23m) for the Treasury and will involve a private placement through competitive tender.

Qualified investors will be able to bid for a minimum stake of 0.05 per cent and a maximum of 5 per cent. A total of 2,000 lots of 1,000 shares each will be offered for tender. The minimum price for each lot (or 0.05 per cent of the bourse's total capital) has been fixed at L20m. The tender offer will be open from September 2 to September 8 and the settlement period for successful bidders will be from September 15 to September 19. The new board of the bourse will be chosen by September 29.

A total of 1,020 lots, or 51 per cent of the bourse's capital, will be reserved for domestic and international brokers already authorised to deal in Italy, and the remaining lots will be open to other financial and corporate investors.

Paul Betts, Milan

■ FRENCH CARS

Renault market share slips

Renault, the French carmaker, is still aiming for a market share in western Europe of at least 10 per cent in 1997, in spite of a decline in its first-half performance. Mr Philippe Gamba, European commercial director, yesterday revealed that the group's first-half market share had slipped to 9.4 per cent, from 9.8 per cent in the corresponding period of 1996 and from 10.6 per cent in 1995.

The latest decline is linked to the weakness of the market in France, where new car registrations were down nearly a quarter from a year ago. The overall fall masks a strong performance in some other European markets. In Germany, the company's market share exceeded 6 per cent for the first time in several years, and in the UK market share reached an all-time high of 7.3 per cent.

David Owen, Paris

■ HUNGARIAN IPO

N American Bus valued at $45m

Shares in North American Bus Industries were yesterday fixed at Ft3,290, at the top end of the range, following strong demand for the initial public offering from the Hungary-based busmaker. An offering of 1.7m shares to domestic and selected foreign institutional investors was 8.6 times subscribed, prompting majority shareholder First Hungary Fund to release another 200,000 for sale. A further 65,300 extra shares from the fund's holding will be offered to domestic institutions. Yesterday's pricing values the company, which makes buses for the US market, at Ft14.7bn ($45.6m).

Mark Mulligan

COMPANIES AND FINANCE: UK

Salomon gives F1 ultimatum to BZW

By Clay Harris

Salomon Brothers, the US investment bank planning to float the Formula One Holdings motor racing group, yesterday gave UK merchant bank BZW an ultimatum: stop advising a rival plan being studied by British Sky Broadcasting or get off the team.

BZW, a Barclays subsidiary, is one of four global managers for the flotation, which Salomon hopes to launch in November. But BZW is also advising BSkyB, Mr Rupert Murdoch's satellite television company on a possible proposal to take a minority stake in Formula One Holdings (FOH), which markets broadcasting rights for the sport.

Mr Christian Purslow, the Salomon director heading the FOH team, demanded that BZW give assurances from the highest level that none of the privileged information it had received had been passed on for use by a third party.

He said: "If there's a conflict of interest, then they are out of the syndicate".

BZW declined to comment. For BZW, the choice may come down to deciding between the $1m to $5m it might make from a successful flotation and the $500,000 in fees it could expect from advising BSkyB on the acquisition of a minority stake.

Mr Purslow described BZW's double role as "very un-blue chip behaviour" and as "the mark of a firm that's desperate".

He said: "I have a queue of banks halfway down the City which want to be in the syndicate". He suggested provocatively that Goldman Sachs, Salomon's US rival which has been smarting from its exclusion, might even be brought in to replace BZW. Goldman is also working on the rival proposal.

If a BSkyB plan was put to Mr Bernie Ecclestone, FOH's chief executive, and the family trusts which own the company, they would be advised on its merits by Salomon, which has acted as exclusive financial adviser since last September.

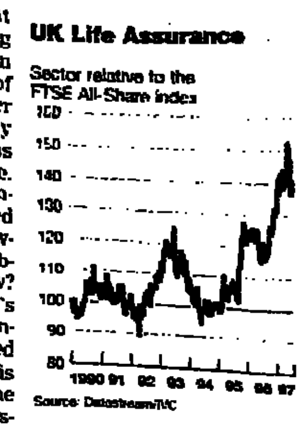
The inter-bank squabbling which has taken over from substantive action during the summer reflects bitter competition in the market for international equity issues.

While Salomon argues that an autumn flotation is on course, its rivals suggest that the delay from earlier expectations of June signals deeper problems. Salomon brands these whispers as efforts to push down the value of FOH and its own fees and to create doubt about its mandate. BSkyB's ambition to buy a minority stake would also benefit from a lower price.

The ultimatum sent to BZW will focus attention on "Chinese walls" within investment banks. BZW's syndicate department has already received detailed financial information and a draft prospectus. The fact that FOH is a private company makes it less likely that BZW could argue that another part of the bank had independently come up with similar data.

LEX COMMENT

UK pensions



With the government about to launch its big review of future pension provision, the Office of Fair Trading's blockbuster on the subject is neatly timed. It also contains much robust good sense. The central idea, to reinvent the much-maligned personal pension, has powerful logic in a more job-hopping world. But how? At first sight, the OFT's attack on active fund management looks rather a red herring. But the point is subtler than it looks. One does not need to be a passionate index-tracker to doubt individual customers' ability to judge the hyped claims about long-run future performance on which many actively-managed pensions are currently sold. With indexed products, where there is less scope for waffle, providers are left with little other than cost to compete on. That, the OFT hopes, could work some magic on the high charges which are the explanation for much of these products' bad name.

Yet while the OFT is bubbling with good ideas for simpler and more attractive products, it rather skates over how to encourage them. Clearly, the government could tilt the regulatory or tax playing-field, but such intervention has a nasty tendency of triggering the law of unintended consequences.

Moreover, employers should be watching this debate like hawks. There must be every likelihood, if the government's review does move it down this kind of road, that some level of mandatory employer contributions will turn out to be sitting at the end of it.

Shareholders more agitated about new livery than the strike

BA faces flak at its AGM

By Andrew Bolger and Charis Gresser

British Airways ran into some flak at its annual meeting yesterday – but private shareholders seemed much more agitated by the airline's new livery than by last week's cabin crew strike, which will continue to disrupt flights into next week.

Mr Robert Ayling, BA's chief executive, said the company had "needlessly" lost tens of millions of pounds through the dispute.

However, shareholders at London's Barbican Centre asked many more hostile questions about BA's £60m livery. The union flag has been replaced on aircraft tail fins by 50 "world" designs, which Mr Ayling said aimed to celebrate and unite the communities that BA served.

Mr Ayling denied that BA would ever drop the word British but he was heckled when he said there were elements of "Britishness" that were standing in the way of the company's development plans.

"Sometimes when you are trying to do business abroad there are aspects which are not always helpful. We are seen to be slightly aloof," he said.

Sir Colin Marshall, BA's chairman, said the style had been acclaimed in the overseas markets which accounted for 60 per cent of the company's business.

"Are we going to start calling British Airways, British Ethnic Airways, flying the flags?" asked one disgusted shareholder, to applause. Sir Colin replied testily: "I think we've gone through this issue ad nauseam."

He said the disputes involving the catering staff and cabin crew "are now taking an altogether more rational, co-operative turn".

The trade unions decided not to picket the meeting in the spirit of their "pause for peace".

Mr Ayling urged the cabin crew branch of the TGWU transport union to put any inter-union rivalry behind them and work with BA in achieving competitiveness by adopting a "constructive approach" to change. "The dispute is not about union-busting," he said. "I have no plans to de-unionise British Airways."

Mr Robert Webster, a BA employee, told the directors that morale among workers was at an all-time low and asked what the company was doing to resolve the problem. Mr Ayling replied that the radical changes were bound to upset people but said he was determined to get through the programme quickly and move forward.

One shareholder, Mr Robert Sole, asked Mr Ayling to justify his £64,000 pay rise last year when many of the airline's workers were having their wages frozen.

Sir Colin replied that Mr Ayling had only recently been promoted to chief executive and the salary recognised his new position as well as the size and success of the airline.


Ashley Ashwood
Sir Colin Marshall defends new designs as overseas markets now account for 60 per cent of BA's business

Institutions calculate cost of BT/MCI

By Martin Brice

If the BT/MCI merger collapsed, international investment banks and hedge funds would face multi-million pound losses on finely calculated deals that involve exploiting the relative values of the two companies' shares.

Exact figures on the total amount invested in the deal, called an arbitrage, are impossible to calculate in the secretive world of proprietary trading, but figures have been circulating in the London stock market of banks being exposed by several million pounds each. Up to 10 per cent of BT shares are said to be involved in arbitrage on the MCI merger.

"The arbitrageurs are treading a thin and dangerous line," said one senior derivatives trader in London yesterday. "But they're not panicking, they're still holding their positions."

The merger agreement valued MCI shares at less than their BT equivalent, and trading specialists in the international market were quick to spot the chance of acquiring BT shares below the London market price. They bought MCI shares, which under the terms of the merger would entitle them to 5.4 BT shares plus $6 in cash, and then agreed to sell BT shares. This tactic is known as going "long" in MCI shares, and "shorting" BT shares. Some estimates put the profit margin on the arbitrage at 6-8 per cent.

If the merger was called off the arbitrageurs would be left with MCI shares falling in value, but would still be left with commitments to deliver "shorted" BT shares.

They are waiting anxiously for today's annual meeting at BT for a hint that the merger will be renegotiated. If it goes ahead, but is renegotiated by BT, the arbitrageurs could still be left with big losses, since their MCI shares would produce fewer BT shares than they had expected to receive.

Either way, they would need BT shares, and the rise of 16p to 456½p ($7.6) in BT shares on Monday was partly due to hedging moves as some arbitrageurs decided the risk was too great, and pulled out of the deal by selling MCI shares and buying BT.

There have been high trading volumes in BT shares recently.

P&O's Channel operations ahead

By Charles Batchelor, Transport Correspondent

A strong rise in P&O's cross-Channel ferry operations provided some compensation in the first six months of 1997 for the competition authorities' continuing delay in approving the company's merger plans with Stena Line.

P&O calculated the cost of the delay in winning merger approval at £6m ($10m) a month on the basis of expected annual savings from the link-up of about £75m.

But with the ferry companies now entering the peak summer season they are more able to live with the delay than during the less busy months.

P&O and Stena are still waiting for the European commission and the UK Monopolies & Mergers Commission to give the deal the go-ahead.

Truck numbers carried between Dover and Calais in the first six months rose 57 per cent to 318,000.

Passenger numbers increased 9 per cent to 4.45m while the number of cars and other tourist vehicles carried rose by 12 per cent to 781,000.

Shield Diagnostics test progress

By Roger Taylor

Shield Diagnostics, the healthcare company, said yesterday it expected to receive US approval for its new heart disease test in four to six months.

It also announced pre-tax losses of £1.3m ($2.19m) for the year to March 31, after £599,400 charges and a 71 per cent increase in research and development expenditure to £1.1m. The previous year it made £276,000 profit.

Much of the extra R&D spending was to fund the development of its test to measure Activated Factor XII (AFT) in the blood, which it believes indicates a propensity to heart attacks. According to Shield, AFT is a much better predictor of heart disease than the cholesterol tests currently used.

It said yesterday it was in discussions with a number of companies to which it might license its test. An agreement was expected before the end of the year and marketing could begin in 1999.

Last week the company applied to the US Food & Drug Administration for approval for its test, but admitted that this would be based only on the product's ability to measure AFT in the blood, not on AFT's value as a predictor of heart disease.

It would not have proof that AFT was a predictor of heart attacks until the completion of a UK study next year.

Turnover slipped from £5.83m to £5.75m after a fall in demand for infectious disease diagnostics because of overstocking by customers.

The company ended the period with net cash of £1.16m, but said this would be sufficient to cover its needs this year.

Shield's shares leapt from 110p to 505p earlier this year on hopes for its new test, which analysts said could take a substantial part of the £500m-a-year market for heart disease diagnostics. Since then the enthusiasm has subsided and the shares have come back. They closed yesterday down 32½p at 510p.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Aim	Yr to Apr 30	74	(67.3)	5.37	(3.92♥)	30.7	(20.3)	6	Oct 3	4	9	5.5
Anite	Yr to Apr 30 ★	193.4	(262.9)	50.4L♠	(19.2L♠)	21.2L	(8.3L)	nil	-	nil	nil	nil
Aston Villa	Yr to May 31 ★	22.1	(18.9)	3.93L	(0.05)	26.9L†	(0.5L)	-	-	-	-	-
Elbief	Yr to Apr 30	7.64	(6.34)	0.807	(0.379)	5.3	(2.8)	0.8	October	0.8	1.2	0.8
Farlake Φ	6 mths to Mar 31	1.04	(0.637)	0.22	(0.21)	5.64	(7.71)	-	-	-	-	-
Ian Business	6 mths to May 31	15.5	(5.59)	2.92♠	(0.386♠)	3.19†	(0.97)	0.625	Oct 15	0.55	-	1.55
Int Tool & Supply	Yr to Mar 31 $	64.8	(36.3)	1.26♥	(0.89♥)	0.7‡	(0.8)	-	-	-	-	-
Kenwood Appliances	Yr to Apr 4	203.2	(198.7)	11.4L♠	(15.6)	29.3L	(23.8)	nil	-	6.75	3.25	10
Shield Diagnostics	Yr to Mar 31	5.75	(5.83)	1.33L♠	(0.276)	7.06L	(1.48)	-	-	-	-	-
Trifast	Yr to Mar 31	60.5	(48)	6.94	(5.67)	27.6†	(23.42)	6.67	Sept 2	5.8	10	8.7
VHE	Yr to Mar 31	35.5	(34.6)	0.56♠	(2.61)	0.1	(5.3)	1	Oct 14	0.25	1	0.25
Zergo	Yr to Apr 30	10.4	(8.48)	0.726	(0.21L♠)	3.4	(5.1L)	-	-	-	-	-

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Baring Emerging $	Yr to Apr 30	175.51	(96.89)	1.31L	(0.14L)	106L	(11L)	nil	-	nil	nil	nil
Fleming Inc & Cap	3 mths to June 30	-	(-)	-	(-)	-	(-)	1.4	Sept 1	1.3	-	5.45
Moorgate	Yr to May 31	189.16	(192.17)	1.43	(1.53)	5.06	(5.42)	3	Sept 11	2.9	4.8	4.65
Tst of Property	6 mths to June 30	88.66	(88.72)	0.07	(0.078)	1.06	(1.178)	-	-	-	-	1.8273

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. ★ Comparatives restated. †On increased capital. ΦAim stock. $US currency.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

½ hour period ending	Provisional Price for Trading on 16.07.97: Pool purchase price £/MWh	Firm Prices for Trading on 15.07.97: Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	10.13	11.60	11.60	0.00
0100	10.12	11.58	11.58	0.00
0130	10.12	10.03	10.03	0.00
0200	10.12	10.03	10.03	0.00
0230	10.12	10.03	10.03	0.00
0300	10.11	10.03	10.03	0.00
0330	10.11	10.04	10.04	0.00
0400	10.11	10.03	10.03	0.00
0430	10.11	11.58	11.70	1.15
0500	10.11	11.60	11.72	1.15
0530	9.90	10.03	10.03	0.00
0600	9.90	10.03	10.03	0.00
0630	9.90	10.03	10.03	0.00
0700	16.17	18.33	18.45	1.15
0730	16.15	15.69	15.81	1.15
0800	17.13	18.34	18.45	1.15
0830	17.23	18.71	18.83	1.15
0900	17.96	20.39	20.53	1.15
0930	18.13	20.48	20.62	1.15
1000	18.73	20.50	20.66	1.15
1030	19.43	20.51	20.68	1.15
1100	19.51	24.19	24.36	1.15
1130	19.58	24.24	24.43	1.15
1200	19.16	24.32	24.53	1.15
1230	19.40	24.29	24.49	1.15
1300	18.77	20.58	20.77	1.15
1330	18.98	24.14	24.30	1.15
1400	17.84	20.44	20.59	1.15
1430	17.82	33.91	34.05	1.15
1500	17.80	27.85	27.99	1.15
1530	17.79	19.51	19.65	1.15
1600	17.84	19.55	19.70	1.15
1630	18.61	20.53	20.71	1.15
1700	21.17	34.05	34.24	1.15
1730	21.09	37.79	37.96	1.15
1800	17.51	20.39	20.52	1.15
1830	17.46	20.19	20.31	1.15
1900	17.46	18.33	18.45	1.15
1930	16.94	15.29	15.41	1.15
2000	17.46	18.33	18.45	1.15
2030	12.99	15.29	15.41	1.15
2100	10.19	15.29	15.41	1.15
2130	10.19	24.50	24.62	1.15
2200	17.48	24.50	24.62	1.15
2230	16.94	24.50	24.62	1.15
2300	16.94	24.50	24.62	1.15
2330	16.17	14.32	14.43	1.15
2400	16.17	11.61	11.73	1.15

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. The Transmission Services Use of System Price (TSP) is charged by the National Grid Company plc (NGC) for the operation and development of its electricity transmission system for the purpose of optimising the costs arising from the operation of that system. Charges are calculated by NGC and are based on payments made by NGC into the pool. TSP is also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool and on TSP on behalf of NGC by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6788 between 8.30am and 5.15pm Monday to Friday.
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Bunds fall as dollar breaches DM1.80

GOVERNMENT BONDS

By Krishna Guha in London and John Labate in New York

German bunds fell as the dollar marched through the DM1.80 barrier, dragging other European bonds down in their wake. High-yielders, which rode on the back of bund strength last week, were especially badly hit.

In afternoon trading, markets were briefly jarred by higher than expected US June retail sales data, which sent US Treasuries lower. However, Treasuries and gilts rebounded after the details showed the rise was largely restricted to strong motor vehicle sales.

GERMAN BUNDS did not bounce back, however. The September futures contract settled down 0.35 at 102.32, and the yield on benchmark 10-year cash bunds rose to 5.63 per cent in late trading.

The weakness of the D-Mark was rammed home as the dollar breached the DM1.80 barrier. Fears of interest rate rises and imported inflation played second fiddle to the immediate currency dilemma.

"Investors have woken up to the fact that they are holding a depreciating asset," said Mr Michael Burke, senior international economist at Citibank.

Yesterday's trading reversed a flattening in the yield curve on Monday as fears of a rise in German interest rates to support the D-Mark receded.

The spread of 10-year bunds over two-year bunds – which narrowed to below 200 basis points on Monday – rose to 203 basis points.

UK GILTS outperformed bunds, ending the session a fraction lower than their previous close.

The September futures contract settled in London down $\frac{1}{16}$ at 114⅛. The spread of benchmark 10-year gilts over bunds narrowed modestly to 161 basis points.

The market was cheered by British Retail Consortium data showing growth in retail sales slowed to 4.5 per cent in June from 4.8 per cent in May. The figures echoed Monday's benign producer prices data.

Analysts said that gilts were acquiring a "safe haven" status for investors concerned about currency depreciation. Long-term paper was in "short supply" as the government was set to beat its PSBR forecasts.

ITALIAN BTPs, which have posted strong gains in recent days, tumbled. The September futures contract settled down 0.75 at 135.54.

Profit-taking exacerbated the impact of pan-European weakness, but there was also nervousness over the likely outcome of talks between the Italian government and the unions on pension reform, a crucial issue for the budget.

After taking the day off on Monday for Bastille Day, FRENCH BONDS returned to catch up with the lower tone. The September notional bond futures contract settled in Paris at 129.98, down 0.60 from Friday's close but above the day's low.

In SWEDEN, higher than expected inflation data for June unsettled the market in early trading. Spreads on Swedish bonds over German bunds widened by four basis points to 89 points.

US TREASURIES slipped in morning trading after the release of stronger than expected June retail sales data.

By midday the benchmark 30-year Treasury bond was down $\frac{1}{32}$ at 100⅞ to yield 6.562 per cent. The two-year bill was unchanged at 100⅛, yielding 5.912 per cent and the 10-year bond was $\frac{1}{32}$ lower at 102$\frac{1}{32}$, yielding 6.262 per cent.

Retail sales were 0.5 per cent higher in June, after three months of decline, but much of the recovery came from a 1.1 per cent rise in motor vehicle sales. Durable goods rose 0.5 per cent, after drop of nearly 1 per cent in May, and non-durables gained 0.4 per cent.

The increase was not viewed as alarming. "This significantly reduces the chance of a Fed interest rate increase in August," said Mr M. Cary Leahey, at High Frequency Economics.

CAPITAL MARKETS NEWS DIGEST

Czech flood bond to finance relief

The Czech government is expected to approve today the launch of a Kc5bn bond to finance relief programmes in parts of the country badly hit by flooding. Mr Vaclav Klaus, prime minister, said the five-year issue would be priced to yield close to the inflation rate. More details are expected today after a cabinet meeting that will consider a wider response to the devastation in the eastern province of Moravia. Flooding after days of torrential rains has killed nearly 40 people and caused heavy damage to industry and agriculture.

Parliament has already approved emergency spending of Kc11bn on relief programmes, which is putting pressure on an already strained budget. The government announced two austerity packages in the past few months that were due to cut Kc40bn from spending. The Czech National Bank and several ministers have argued that the most appropriate way to finance the flood relief is through a "solidarity" tax. This is also likely to be on the agenda at the cabinet meeting, though Mr Klaus is thought not to be in favour of it. *Vincent Boland*

■ CREDIT RATINGS

Russian banks 'speculative'

Standard & Poor's, the US credit rating agency, has assigned speculative grade credit ratings to four Russian banks in its first rating exercise in the Russian finance sector. One of the banks, SBS-Agro, which was rated B+ with a positive outlook, issued its debut eurobond last week – a $200m deal popular with investors.

Alfa Bank, part of the Alfa Group, is expected to issue its debut three-year $100m eurobond this week. It was awarded a credit rating of B with a stable outlook. Other banks rated were Aljba Alliance (B/stable) and Rossiyskiy Kredit Bank (B/stable).

S&P said Russian banks were hampered by "a brief record of operating on a commercial basis, tight liquidity conditions ... and a shortage of creditworthy borrowers." The ratings are not constrained by Russia's BB– sovereign rating. *Edward Luce*

■ EASDAQ

Innogenetics stake sold

A group of venture capitalists which supported the setting up of the Belgian biotechnology group Innogenetics has sold 2.42m shares in the company, which specialises in therapy monitoring and disease management. The shares were placed by Nomura Securities in a $25m transaction with institutions via Easdaq, the stock market for start-up and high-technology European companies.

Innogenetics was the first company to list on Easdaq after its flotation last November. The shares were sold at $10.50 a share, compared with a flotation price of $12. The stake sold represented about half of that held by the venture capitalists. *Vincent Boland*

Toyota raises $1bn in euro-Asian offer

INTERNATIONAL BONDS

By Edward Luce

Toyota Motor Corp grabbed most of the limelight yesterday with a $1bn euro-Asian offering. The five-year issue, priced to yield just 10 basis points over Treasuries, was its first offering since 1993. TMCC, Toyota's US subsidiary, usually flies the flag for Toyota in the international bond markets.

An official at Merrill Lynch, joint book-runner with Credit Suisse First Boston, said the parent company wanted to re-establish a benchmark with this issue. About two-thirds of the distribution went to a mixture of retail and institutional investors in Europe, with the remainder going to the Asian market. An official said it was trading flat to re-offer after launch.

However, other bankers last night described the deal as too expensive at just two basis points wider than Canada's five-year $1bn offering last week. The Canadian paper has since widened to a spread of nine basis points in the secondary market.

"The market is finding it difficult enough to digest the Canadian deal, so this was simply too tight," said one official. "The five-year sector is also a bit overcrowded for a deal of this size."

KELLOGG, the US food company, displayed a touch of *chutzpah* yesterday with a deal priced at roughly the same level as equivalent deals by the World Bank and the European Investment Bank.

The four-year $500m offering – Kellogg's second eurobond this year, but only its sixth issue – was priced to yield just seven basis points over three-year US Treasuries. This comes to about minus one basis point or flat to the US Treasury curve.

An official at SBC Warburg, joint book-runner with Lehman Brothers, said the company benefited from good recognition among retail investors as well as rarity value in the market. With a credit rating of AA/Aa1, Kellogg was evidently testing retail loyalty. The paper was popular with Swiss and some UK accounts.

ALLIANZ, Germany's largest insurance company, came to the eurobond market for only the second time yesterday with a DM1.5bn offering. The deal attracted much interest among bankers because of its rarity value.

The company, however, was penalised a little for issuing during a period of weakness in the D-Mark. The bond widened a little from its launch spread of 15 basis points over 10-year bunds.

"Allianz was a little unlucky with market conditions, but in general it was a very interesting deal," said one rival official.

The issue was led by Dresdner Kleinwort Benson. Most of the paper was distributed to French funds. But an official said insurance companies mostly steered clear of the issue. "They didn't want to buy paper of a rival," he said.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
■ US DOLLARS							
Toyota Motor Corp	1bn	6.25	99.55R	Jul 2002	0.25R	+10(6¾Jun02)	CSFB/Merrill Lynch
Kellogg Co(l)	500	6.125	99.701R	Aug 2001	0.225R	+7(6⅝%May00)	Lehman/SBC Warburg
Cie Financiere de CIC‡	400	(a)	100.02R	Aug 1998	0.05R	-	UBS
Rabobank Nederland	250	6.00	99.628R	Aug 2000	0.1875R	flat(6⅛%-00)	SBC Warburg
Camargo Correa Industrial(b)	150	8.75#	100.00R	Jul 2005	0.625R	+254(6⅞%-02)	Chase Manhattan Intl
Norddeutsche LB(c,l)§	150	(3-3¼)	100.00	Feb 2003	2.50	-	Salomon Brothers Intl
■ D-MARKS							
Allianz Intl Finance	1.5bn	5.75	99.775R	Jul 2007	0.325R	+15(6%Jul07)	Dresdner KB
■ YEN							
AB Intl Cayman Trust(d)§	100bn	0.75	100.00	Aug 2007	2.50	-	Asahi/Goldman/Nikko
Sumitomo Special Met(e,s)§	15bn	(¼-½)	100.00	Sep 2004	2.50	-	Daiwa Europe
■ SWISS FRANCS							
JP Morgan & Co(f,s)	200	2.00	100.05	Dec 2001	1.75	-	SBCW/UBS
■ ITALIAN LIRE							
Fiat Finance and Trade	300bn	6.20	99.90R	Aug 2002	0.15R	+15(6%Mar02)	Credito Italiano
■ PESETAS							
Province of Quebec	10bn	5.50	100.84	Aug 2002	1.625	-	Banco Central Hispano
■ DANISH KRONER							
Commerzbank O'seas Fin(l)	400	5.50	101.75	Dec 2003	1.875	-	ABN Amro/BBL
■ SOUTH AFRICAN RAND							
World Bank	1bn	14.50	100.74	Aug 1998	1.00	-	Hambros Bank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) 3-mth Libor flat. b) Callable & puttable on 22/7/02 at 98.90% & 98.75% respectively. c) Exchangeable into Deutsche Telekom shares at indicated 22-24% premium. Callable from 11/5/00 at par. d) Fixing by 18/7/97. Mandatorily convertible into Asahi Bank shares at indicated 2.5% premium. Optional early mandatory conversion - 30% on 1/10/05, 50% on 1/10/06 - subject to 75% hurdle. Callable from 7/8/02 subject to 130% hurdle. Annual downward resets; Y500 floor. e) Fixing expected next week at flat conversion premium. Downward resets in Sep 99 & 02; 80% floors. Puttable on 30/9/02 at par. f) Fungible with SFr400m. Plus 167 days accrued. i) Over interpolated yield. l) Long 1st coupon. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	10/07	123.9077	–0.510	6.73	6.77	7.38
Austria		5.750	04/07	100.6600	+0.680	5.66	5.73	5.83
Belgium		6.250	03/07	103.9700	–0.310	5.70	5.63	5.90
Canada *		7.250	06/07	108.9400	–0.250	6.03	6.01	6.49
Denmark		7.000	06/07	106.2200	–0.440	6.16	6.13	6.30
France	BTAN	4.750	03/02	100.5329	–0.790	4.62	4.44	4.70
	OAT	5.500	04/07	100.0800	–0.860	5.49	5.47	5.74
Germany Bund		6.000	07/07	102.7400	–0.820	5.63	5.56	5.83
Ireland		8.000	08/06	110.4600	–0.380	6.44	6.38	6.70
Italy		6.750	02/07	101.9300	–0.580	6.48†	6.43	7.09
Japan	No 148	5.600	06/02	118.3727	–0.060	1.58	1.58	1.83
	No 182	3.000	09/05	104.7102	–0.250	2.32	2.33	2.52
Netherlands		5.750	02/07	101.3800	–0.320	5.56	5.47	5.70
Portugal		9.500	02/06	121.3500	–0.400	6.21	6.18	6.45
Spain		7.350	03/07	107.5700	–0.370	6.27	6.22	6.58
Sweden		8.000	08/07	110.6704	–0.620	6.52	6.46	6.95
UK Gilts		7.000	06/02	99–12	–	7.15	7.16	7.00
		7.250	12/07	101–03	–2/32	7.10	7.03	7.13
		9.000	10/08	114–10	–2/32	7.13	7.06	7.19
US Treasury *		6.625	05/07	102–18	–8/32	6.27	6.26	6.62
		6.625	02/27	100–24	–11/32	6.57	6.58	6.88
ECU (French Govt)		5.500	04/07	96.6100	–0.200	5.94	5.72	6.03

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: Standard & Poor's MMS.

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
Prime rate	8½	One month	-	Two year	5.93
Broker loan rate	7¼	Two month	-	Three year	6.05
Fed.funds	5$\frac{9}{16}$	Three month	5.21	Five year	6.18
Fed.funds at intervention	-	Six month	5.32	10-year	6.27
		One year	5.52	30-year	6.57

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	130.30	129.98	–0.60	130.32	129.80	113,109	215,246
Dec	98.96	98.66	–0.60	98.96	98.64	96	4,367
Mar	98.36	98.06	–0.60	98.36	98.36	2	-

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Jul	Aug	Sep	PUTS Jul	Aug	Sep
126	4.72	4.72	-	-	0.06	-
127	3.72	3.76	-	0.02	0.15	-
128	2.73	2.86	-	0.07	0.28	-
129	1.79	1.99	-	0.23	0.53	-
130	0.95	1.24	-	0.65	0.96	-

Est. vol. total, Calls [illegible] Puts [illegible]. Previous day's open int., Calls [illegible] Puts [illegible].

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	102.48	102.32	–0.35	102.51	102.20	224572	279148
Dec	101.54	101.41	–0.34	101.54	101.30	643	8973

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Aug	Sep	Oct	Dec	PUTS Aug	Sep	Oct	Dec
10200	0.52	0.84	0.68	0.99	0.20	0.52	1.22	1.58
10250	0.24	0.57	0.44	0.78	0.42	0.75	1.53	1.87
10300	0.09	0.35	0.29	0.61	0.77	1.08	1.88	2.20

Est. vol. total, Calls 19285 Puts 30367. Previous day's open int., Calls 182217 Puts 242758

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	136.21	135.54	-0.75	136.25	135.36	65987	105730
Dec	108.18	107.67	-0.67	108.18	107.64	760	1890

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Sep	Dec	PUTS Sep	Dec
8000		27.67		0
8050		27.17		0
8100		26.67		0

Est. vol. total, Calls 2476 Puts 3474. Previous day's open int., Calls 84961 Puts 106884

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	117.39	117.24	–0.32	117.50	117.11	75,610	84,444
Dec	101.12	101.04	–0.27	101.13	101.04	133	273

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	114-02	114-04	-0-02	114-11	113-30	79316	172857
Dec	113-23	113-24	-0-02	113-23	113-23	25	1126

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Aug	Sep	Oct	Dec	PUTS Aug	Sep	Oct	Dec
114	0-33	0-63	1-12	1-43	0-25	0-55	1-28	1-59
115	0-10	0-34	0-50	1-16	1-02	1-26	2-02	2-32
116	0-02	0-18	0-31	0-58	1-58	2-10	2-47	3-10

Est. vol. total, Calls 2342 Puts 376. Previous day's open int., Calls 40468 Puts 30898

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	96.62	96.60	–0.66	96.86	96.58	519	5,989

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	113-27	113-21	-0-09	113-29	113-07	148,646	481,368
Dec	113-16	113-09	-0-09	113-15	112-26	995	31,931
Mar	113-09	113-09	-	-	-	6	13,812

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	124.76	-	-	124.76	124.56	2933	n/a
Dec	124.15	-	-	124.15	123.95	480	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FTSE Actuaries Govt. Securities — UK Indices

Price Indices UK Gilts	Tue Jul 15	Day's change %	Mon Jul 14	Accrued interest	xd adj. ytd		Low coupon yield Jul 15	Jul 14	Yr. ago	Medium coupon yield Jul 15	Jul 14	Yr. ago	High coupon yield Jul 15	Jul 14	Yr. ago
1 Up to 5 years (20)	119.42	0.03	119.39	2.20	6.01	5 yrs	7.14	7.14	7.31	7.19	7.19	7.06	7.26	7.26	7.43
2 5-15 years (20)	151.57	–0.04	151.63	1.90	6.98	15 yrs	7.09	7.06	8.13	7.12	7.11	8.13	7.20	7.18	8.23
3 Over 15 years (6)	181.79	–0.07	181.91	6.40	5.02	20 yrs	7.09	7.08	8.24	7.09	7.08	8.22	7.19	7.17	8.30
4 Irredeemables (5)	210.51	–0.20	210.93	2.77	7.34	Irred.†	7.18	7.17	8.33						
5 All stocks (51)	146.62	–0.02	146.65	2.85	6.38										

Index-linked							Inflation 5% Jul 15	Jul 14	Yr. ago	Inflation 10% Jul 15	Jul 14	Yr. ago
6 Up to 5 years (2)	205.08	–0.01	205.11	1.75	3.03	Up to 5 yrs	3.69	3.68	2.88	2.98	2.96	1.16
7 Over 5 years (10)	198.62	0.01	198.60	1.38	3.56	Over 5 yrs	3.81	3.80	3.82	3.38	3.38	3.61
8 All stocks (12)	198.23	0.01	198.22	1.41	3.49							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Jul 15	Jul 14	Jul 11	Jul 10	Jul 9	Yr ago	High*	Low*
Govt. Secs. (UK)	95.61	95.65	97.15	96.77	96.88	92.62	97.51	93.31
Fixed Interest	124.78	125.07	125.00	125.17	125.30	112.61	125.33	115.32

Gilt Edged Activity Indices

	Jul 14	Jul 11	Jul 10	Jul 9	Jul 8
Gilt Edged bargains	NA	NA	NA	NA	NA
5-day average	NA	NA	NA	NA	NA

 * for 1997. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974. Gilt Edged volume data will be unavailable until further notice.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on July 15

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	100⅛	100⅜	–⅛	6.47
ABN Amro Bank 7¼ 05	1000	102¼	103	–¼	6.91
African Dev Bk 7⅜ 23	500	102⅝	103⅛	–¼	7.14
Alberta Province 7⅜ 98	1000	101⅞	102		6.05
Spain 7¼ 03	4000	111½	111¾	–¼	4.93
Volkswagen Intl Fin 7 03	1000	108¾	109	–⅛	5.22
World Bank 5⅞ 03	3000	104⅞	105	–⅛	4.95
World Bank 6⅛ 02	3000	108¼	108⅜	–¼	4.74
World Bank 7⅛ 05	3000	110¼	110⅝	–¼	5.38
Abbey Natl Treasury 8 03 £	1000	101⅜	101⅞	–⅛	7.63
British Land 8⅞ 23 £	150	106⅞	107⅛	–⅛	8.40
Denmark 6¾ 98 £	800	99½	99½		7.34
Depfa Finance 7⅛ 03 £	500	97½	97⅞		7.63
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Remaining FT/ISMA listings (U.S. dollar straights, Swiss franc straights, yen straights, other straights, Deutsche mark straights, floating rate notes, convertible bonds): [illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. [illegible]

UK GILTS PRICES

Notes	Yield Int	Red	Price £	+ or -	52 week High	Low
Shorts (Lives up to Five Years)						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Five to Fifteen Years; Over Fifteen Years; Undated; Index-Linked: [illegible]

Other Fixed Interest

[illegible]

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for November 1996: 153.9 and for June 1997: 157.5.

CURRENCIES AND MONEY

Dollar advances to hit DM1.80

MARKETS REPORT

By Simon Kuper

The dollar soared against the D-Mark, yen and pound yesterday, as traders overcame fears that Germany might intervene to support its currency.

The dollar several times broke the DM1.80 barrier against the D-Mark, after stumbling only briefly in the morning on apparent threats of intervention from Mr Theo Waigel, German finance minister.

Mr Waigel blamed "overreaction by the markets" for the rise of the dollar and pound. The German government was "interested in a strong D-Mark" and was in contact with its partners in the Group of Seven leading industrial nations. Mr Hans Tietmeyer, Bundesbank president, said last week that the D-Mark's downward "correction" had ended.

However, forex strategists doubted that G7 central banks would start buying D-Marks. Mr Peter von Maydell, senior currency economist at UBS in London, said: "The Bundesbank has a long history of being skeptical of intervention." The D-Mark was falling because German interest rates were lower than US and UK rates, and because the markets believed that European monetary union would take the D-Mark into a weak euro.

While these factors were intact the D-Mark would remain soft, strategists said. Mr Gerard Lyons, chief economist at DKB International in London, said a D-Mark rise would jeopardise Germany's fragile, export-led recovery.

But Bear Stearns and Mr Carl Weinberg, chief economist at High Frequency Economics in New York, both said the D-Mark could recover next week after the French government's fiscal audit. The audit was likely to show that France would miss many of the fiscal targets set for Emu, and that could prompt a delay to the project, Mr Weinberg said. He therefore recommended buying D-Marks.

The dollar was helped yesterday by US retail sales data showing a slight pickup at the end of the second quarter. Many strategists expect the US economy to regain speed in the third quarter. The dollar closed at DM1.800 in London, 0.9 pfennigs up on yesterday. It has risen 5.5 pfennigs in seven days.

The US currency also rose Y1.7 against the yen to Y115.5 after Mr Eisuke Sakakibara, the ministry of finance official known to traders as "Mr Yen", reportedly said that the currencies market had excessive expectations of a yen rise, and that Japan's trade surplus would not put upward pressure on the yen. The dollar was also helped by news that some large investors had bought yen put options. But strategists confessed somesurprise at the yen's slide yesterday. "I'm not sure what the basis for it is," Mr Weinberg said, noting that volumes had been "extraordinarily thin". Mr Lyons forecast that the dollar would return to its recent Y110-Y116 range after strong Japanese trade data emerged tomorrow.

The dollar gained 1.3 cents against the pound to $1.675. Sterling shed 1.6 pfennigs from Monday's late highs against the D-Mark to close in London at DM3.015.

■ Traders said the Bank of Italy bought D-Marks in the market again yesterday, as the lira neared the top of its unofficial 2.25 per cent trading band within the European exchange-rate mechanism.

■ Another day, another emerging markets crisis. Yesterday the Polish zloty fell 4 per cent, apparently undefended by the central bank, as local investors got the jitters over the currency's future.

Emerging markets currencies have been falling right, left and centre since July 2, when speculators forced the Thai baht to devalue. The Philippine peso followed last week, and this week Malaysia allowed the ringgit to fall modestly. The Czech koruna was devalued in May.

Poland had long been tipped as the next victim. Its current account deficit is 4 per cent of GDP, and recent flooding could take its budget deficit higher.

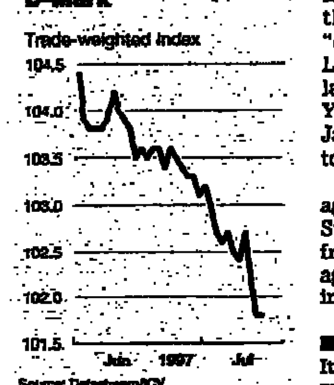
The zloty was fixed yesterday just 1.3 per cent above the bottom of its 7 per cent trading band. Strategists forecast an attack on the band, and said the Brazilian real could hit trouble next.

■ Pound in New York

Jul 15	—Latest—	— Prev. close —
£ spot	1.6755	1.6875
1 mth	1.6739	1.6857
3 mth	1.6702	1.6824
1 yr	1.6538	1.6652

D-Mark

Trade-weighted index



Source: Datastream/ICV

■ OTHER CURRENCIES

Jul 15	£	$
Czech Rp	57.3362 - 57.4492	34.2510 - 34.2980
Hungary	322.195 - 322.471	192.470 - 192.520
Iran	5025.00 - 5022.00	3000.00 - 3000.00
Kuwait	0.5069 - 0.5074	0.3028 - 0.3029
Poland	5.7081 - 5.7284	3.3820 - 3.3920
Russia	9745.38 - 9754.51	5774.00 - 5776.00
U.A.E.	6.1444 - 6.1531	3.6705 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Jul 15		Closing mid-point	Change on day	Bid/offer spread	Day's Mid. high	Day's Mid. low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	21.2102	-0.0636	994 - 209	21.3233	21.1229	21.1558	3.1	21.0431	3.2	20.5376	3.2	101.8
Belgium	(BFr)	62.2579	-0.1755	058 - 100	62.6490	62.0150	62.0779	3.5	61.7079	3.5	59.9579	3.7	101.1
Denmark	(DKr)	11.4886	-0.0258	835 - 937	11.5518	11.4460	11.4571	3.3	11.3931	3.3	11.1016	3.4	103.3
Finland	(FM)	8.9033	-0.0312	963 - 102	8.9730	8.8540	8.878	3.4	8.8255	3.5	8.6128	3.3	81.9
France	(FFr)	10.1801	-0.0274	754 - 848	10.2402	10.1412	10.1471	3.9	10.0901	3.5	9.8146	3.6	103.5
Germany	(DM)	3.0145	-0.0091	132 - 158	3.0350	3.0021	3.0051	3.7	2.9861	3.8	2.8992	3.8	101.8
Greece	(Dr)	472.644	-1.161	336 - 953	476.430	470.901	474.427	-4.5	477.051	-3.7	485.419	-2.7	65.0
Ireland	(I£)	1.1177	-0.0015	166 - 188	1.1235	1.1156	1.1172	0.5	1.1158	0.7	1.1049	1.1	99.2
Italy	(L)	2928.20	-8.02	682 - 958	2944.34	2917.89	2928.28	0.0	2928.24	0.0	2925.64	0.1	76.0
Luxembourg	(LFr)	62.2579	-0.1755	058 - 100	62.6490	62.0150	62.0779	3.5	61.7079	3.5	59.9579	3.7	101.1
Netherlands	(Fl)	3.3935	-0.0103	920 - 949	3.4180	3.3804	3.3833	3.6	3.3624	3.7	3.2684	3.7	100.5
Norway	(NKr)	12.6334	+0.0153	261 - 407	12.7315	12.5429	12.6009	3.1	12.5398	3.0	12.2709	2.9	94.8
Portugal	(Es)	305.008	-	834 - 183	308.053	303.100	304.852	0.6	304.322	0.9	300.234	1.6	92.1
Spain	(Pta)	253.948	-0.658	829 - 064	255.480	253.030	253.631	1.5	252.881	1.7	248.511	2.1	78.5
Sweden	(SKr)	13.1682	-	579 - 784	13.2148	13.0772	13.1407	2.5	13.0822	2.6	12.8257	2.6	84.8
Switzerland	(SFr)	2.4733	-0.0159	717 - 748	2.4910	2.4601	2.4624	5.3	2.4398	5.4	2.3396	5.4	105.6
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	105.1
Ecu	-	1.5314	-	303 - 325	1.5342	1.5200	1.5281	2.6	1.521	2.7	1.4889	2.9	-
SDR†	-	1.221625	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6743	-0.0138	737 - 748	1.6908	1.6683	-	-	-	-	-	-	-
Brazil	(R$)	1.8092	-0.0144	084 - 100	1.8262	1.8026	-	-	-	-	-	-	-
Canada	(C$)	2.2935	-0.0165	922 - 948	2.3141	2.2827	2.2866	3.6	2.273	3.6	2.2221	3.1	85.5
Mexico	(New Peso)	13.2043	-0.0793	928 - 158	13.3090	13.1661	-	-	-	-	-	-	-
USA	($)	1.6745	-0.0138	740 - 750	1.6911	1.6685	1.6729	1.1	1.6694	1.2	1.6525	1.3	103.8
Pacific/Middle East/Africa													
Australia	(A$)	2.2741	-0.0169	726 - 755	2.2974	2.2615	2.2735	0.3	2.2716	0.4	2.2615	0.6	91.4
Hong Kong	(HK$)	12.9744	-0.1083	696 - 791	13.1023	12.9284	12.9734	0.1	12.9669	0.2	12.9119	0.5	-
India	(Rs)	59.7881	-0.5265	283 - 478	60.3930	59.6160	59.9833	-3.9	60.3839	-4.0	62.0636	-3.8	-
Israel	(Shk)	5.9806	-0.0256	703 - 908	6.0514	5.9617	-	-	-	-	-	-	-
Japan	(Y)	193.388	+1.259	263 - 513	193.540	191.910	192.368	6.3	190.343	6.3	181.358	6.2	133.3
Malaysia	(M$)	4.2934	-0.0413	896 - 972	4.3365	4.2814	4.2976	-1.2	4.3056	-1.1	4.3248	-0.7	-
New Zealand	(NZ$)	2.5379	-	358 - 399	2.5410	2.5120	2.5377	0.1	2.5387	-0.1	2.5459	-0.3	110.1
Philippines	(Peso)	50.6493	-	901 - 084	51.6168	49.8597	50.8091	-3.8	51.0586	-3.2	52.1155	-2.9	-
Saudi Arabia	(SR)	6.3322	-	301 - 342	6.3421	6.2580	6.3287	0.7	6.3203	0.8	6.2838	0.8	-
Singapore	(S$)	2.4337	-	321 - 352	2.4365	2.4093	2.4291	2.3	2.419	2.4	2.3708	2.6	-
South Africa	(R)	7.6902	-	854 - 950	7.7021	7.6050	7.7509	-9.5	7.8686	-9.3	8.3057	-8.0	-
South Korea	(Won)	1493.66	-11.46	986 - 745	1507.95	1487.64	-	-	-	-	-	-	-
Taiwan	(T$)	47.1374	-	896 - 851	47.2595	46.6513	47.1208	0.4	47.081	0.5	46.8834	0.5	-
Thailand	(Bt)	50.5646	-	652 - 640	50.6840	50.0550	50.9012	-8.0	51.3628	-8.3	52.393	-3.6	-

† Rates for Jul 14. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T. The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jul 15		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	12.6668	+0.0658	639 - 692	12.6695	12.5550	12.6426	2.3	12.5936	2.3	12.3696	2.3	101.4
Belgium	(BFr)	37.1800	+0.2	600 - 000	37.2150	36.8190	37.105	2.4	36.9535	2.4	36.26	2.5	101.2
Denmark	(DKr)	6.8609	+0.0408	599 - 619	6.8636	6.7973	6.8492	2.0	6.8249	2.1	6.7185	2.1	102.7
Finland	(FM)	5.3170	+0.025	144 - 195	5.3198	5.2776	5.3055	2.6	5.2819	2.6	5.188	2.4	81.3
France	(FFr)	6.0795	+0.0335	785 - 805	6.0812	6.0285	6.068	2.3	6.0442	2.3	5.9353	2.4	102.9
Germany	(DM)	1.8003	+0.0094	000 - 005	1.8020	1.7830	1.7965	2.8	1.7887	2.6	1.7537	2.6	101.5
Greece	(Dr)	282.260	+1.62	160 - 360	282.580	278.520	283.565	-5.5	285.61	-4.7	292.76	-3.7	64.7
Ireland	(I£)	1.4982	-0.0103	972 - 992	1.5124	1.4925	1.4974	0.6	1.4965	0.5	1.4969	0.1	-
Italy	(L)	1748.70	+8.85	840 - 900	1751.12	1735.50	1750.47	-1.2	1753.48	-1.1	1756.9	-0.5	75.8
Luxembourg	(LFr)	37.1800	+0.2	600 - 000	37.2150	36.8190	37.105	2.4	36.9535	2.4	36.26	2.5	101.2
Netherlands	(Fl)	2.0266	+0.0105	263 - 268	2.0300	2.0083	2.0224	2.5	2.0139	2.5	1.9761	2.5	100.5
Norway	(NKr)	7.5446	+0.0707	425 - 467	7.5625	7.4280	7.5301	2.3	7.5017	2.3	7.39	2.0	94.4
Portugal	(Es)	180.660	-	610 - 710	181.800	180.010	180.624	0.2	180.57	0.2	179.4	0.7	92.6
Spain	(Pta)	151.655	+0.85	630 - 680	151.830	150.380	151.61	0.4	151.435	0.6	150.26	0.9	76.1
Sweden	(SKr)	7.7997	-	959 - 034	7.8472	7.7872	7.7906	1.4	7.7713	1.5	7.6973	1.3	84.5
Switzerland	(SFr)	1.4770	+0.0026	765 - 775	1.4778	1.4665	1.4717	4.3	1.461	4.3	1.4155	4.2	105.0
UK	(£)	1.6745	-0.0138	740 - 750	1.6911	1.6685	1.6729	1.1	1.6694	1.2	1.6525	1.3	105.1
Ecu	-	1.1025	-	020 - 029	1.1081	1.0965	1.1039	-1.6	1.1072	-1.7	1.1227	-1.8	-
SDR†	-	0.72410	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 999	0.9999	0.9999	-	-	-	-	-	-	-
Brazil	(R$)	1.0805	+0.0003	803 - 806	1.0808	1.0802	-	-	-	-	-	-	-
Canada	(C$)	1.3697	+0.0014	693 - 700	1.3705	1.3665	1.3685	2.8	1.3608	2.6	1.3402	2.2	85.2
Mexico	(New Peso)	7.8855	+0.0175	810 - 900	7.8980	7.8800	7.994	-16.5	8.205	-16.2	9.1155	-15.6	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	103.9
Pacific/Middle East/Africa													
Australia	(A$)	1.3580	+0.0011	576 - 585	1.3594	1.3572	1.3578	0.2	1.3573	0.2	1.3529	0.4	92.6
Hong Kong	(HK$)	7.7482	-0.0008	477 - 487	7.7490	7.7470	7.7487	-0.1	7.7496	-0.1	7.7519	0.0	-
India	(Rs)	35.7050	-0.02	800 - 300	35.7500	35.5800	35.8425	-4.6	36.1275	-4.7	37.34	-4.6	-
Israel	(Shk)	3.5716	+0.014	665 - 766	3.5942	3.5575	-	-	-	-	-	-	-
Japan	(Y)	115.490	+1.69	450 - 530	115.560	113.710	114.975	5.4	113.975	5.2	109.675	5.0	136.2
Malaysia	(M$)	2.5640	-0.0035	625 - 655	2.5690	2.5525	2.5685	-2.1	2.5775	-2.1	2.6075	-1.7	-
New Zealand	(NZ$)	1.5032	-	024 - 040	1.5055	1.5020	1.504	-0.6	1.5064	-0.9	1.5165	-0.9	-
Philippines	(Peso)	30.0000	-	000 - 000	30.8400	29.3000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	-	505 - 507	3.7508	3.7504	3.7513	-0.2	3.7523	-0.2	3.7569	-0.2	-
Singapore	(S$)	1.4415	-	410 - 420	1.4444	1.4408	1.4398	1.5	1.436	1.5	1.4165	1.7	-
South Africa	(R)	4.5550	-	535 - 565	4.5575	4.5530	4.5955	-10.7	4.675	-10.5	4.9775	-9.3	-
South Korea	(Won)	892.000	+0.5	000 - 000	895.000	889.500	-	-	-	-	-	-	-
Taiwan	(T$)	27.9200	-	000 - 400	27.9560	27.8980	27.931	-0.5	27.94	-0.3	28.0325	-0.4	-
Thailand	(Bt)	29.9500	-	000 - 000	30.0300	29.7500	30.395	-17.8	31.1	-15.4	32.33	-7.9	-

† SDR rate per $ for Jul 14. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jul 14: Base average 1990=100.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

July 15	Over night	One month	Three mths	Six mths	One year	Lomb. intv.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.50	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.10	-	4.75
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.00
Ireland	6	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.75
Italy	7	[illegible]	[illegible]	[illegible]	[illegible]	7.75	6.25	6.82
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	2.50	2.90
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.00	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.44	5.51	5.59	5.74	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jul 15	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
German Mark	[illegible]	3¼ - 3	3⅛ - 3	[illegible]	[illegible]	[illegible]
Dutch Guilder	3½ - 3⅜	3¼ - 3⅛	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	7 - 6½	6¾ - 6⅝	[illegible]	7 - 6¾	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Dollar	3¼ - 3⅛	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	5⅝ - 5½	[illegible]	[illegible]	[illegible]
Italian Lira	7⅜ - 6⅞	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japanese Yen	⅝ - ½	[illegible]	[illegible]	[illegible]	⅝ - ½	[illegible]
Asian $Sing	2⅜ - 2¼	[illegible]	5 - 4½	[illegible]	[illegible]	4½ - 4

Short term rates are call for the US Dollar and Yen, others: two days' notice

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.50	96.49	-0.06	96.52	96.46	23,627	68,251
Dec	96.45	96.43	-0.08	96.46	96.41	14,672	35,548
Mar	96.40	96.36	-0.10	96.41	96.36	7,391	29,020

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.76	96.77	-0.01	96.78	96.75	50514	289780
Dec	96.64	96.62	-0.02	96.64	96.60	61094	261515
Mar	96.52	96.52	-0.02	96.53	96.48	64600	259057
Jun	96.37	96.37	-0.03	96.39	96.32	51874	185520

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Aug	-	96.82	-0.01	-	-	0	490
Sep	96.80	96.80	-0.02	96.80	96.80	200	103
Oct	96.79	96.79	-0.02	96.79	96.79	265	50
Nov	96.78	96.78	-0.03	96.78	96.78	50	0

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	93.31	93.34	+0.01	93.34	93.27	20411	113916
Dec	93.71	93.70	-0.03	93.74	93.66	13631	91439
Mar	94.08	94.03	-0.09	94.11	94.00	12926	52976
Jun	94.38	94.30	-0.10	94.38	94.27	8877	40272

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	98.56	98.57	+0.01	98.60	98.54	10811	65008
Dec	98.40	98.43	+0.01	98.47	98.40	6568	45521
Mar	98.34	98.33	-0.01	98.37	98.31	4062	18022
Jun	98.16	98.18	-0.01	98.22	98.16	892	7244

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	99.32	99.32	+0.01	99.32	99.32	65	n/a
Dec	99.16	99.17	-0.01	99.16	99.16	50	n/a
Mar	98.95	98.95	-0.05	98.95	98.95	50	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.73	95.73	-0.03	95.76	95.70	1849	9144
Dec	95.71	95.70	-0.05	95.73	95.70	1393	6497
Mar	95.72	95.70	-0.04	95.72	95.69	468	4355
Jun	95.70	95.69	-0.04	95.70	95.69	31	3076

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9325	0.18	0.55	0.89	0.09	0.10	0.11
9350	0.07	0.37	0.70	0.23	0.17	0.17
9375	0.02	0.22	0.52	0.43	0.27	0.24

Est. vol. total, Calls 3875 Puts 3085. Previous day's open int., Calls 109406 Puts 56955

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jul 15		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.45	16.35	4.842	1.795	4703	5.451	20.29	485.9	407.9	20.98	3.973	1.606	3.684	2.690	310.6	2.440
Denmark	(DKr)	54.19	10	8.861	2.624	0.973	2549	2.954	11.00	263.3	221.0	11.37	2.153	0.870	1.996	1.458	168.3	1.322
France	(FFr)	61.16	11.29	10	2.961	1.098	2876	3.334	12.41	297.2	249.5	12.83	2.429	0.982	2.253	1.645	190.0	1.492
Germany	(DM)	20.65	3.811	3.377	1	0.371	971.3	1.126	4.191	100.3	84.24	4.332	0.820	0.332	0.761	0.555	64.15	0.504
Ireland	(I£)	55.70	10.28	9.108	2.697	1	2620	3.036	11.30	270.7	227.2	11.69	2.213	0.895	2.052	1.498	173.0	1.359
Italy	(L)	2.126	0.392	0.348	0.103	0.038	100	0.116	0.431	10.33	8.672	0.446	0.084	0.034	0.078	0.057	6.604	0.052
Netherlands	(Fl)	18.35	3.385	3.000	0.888	0.329	862.9	1	3.723	89.14	74.83	3.849	0.729	0.295	0.676	0.493	56.99	0.448
Norway	(NKr)	49.28	9.094	8.058	2.386	0.885	2318	2.686	10	239.5	201.0	10.34	1.958	0.792	1.815	1.325	153.1	1.202
Portugal	(Es)	20.58	3.798	3.365	0.997	0.369	968.0	1.122	4.176	100	83.94	4.317	0.818	0.331	0.758	0.554	63.93	0.502
Spain	(Pta)	24.52	4.524	4.009	1.187	0.440	1153	1.336	4.975	119.1	100	5.143	0.974	0.394	0.903	0.659	76.15	0.598
Sweden	(SKr)	47.67	8.796	7.795	2.308	0.856	2242	2.598	9.673	231.6	194.4	10	1.894	0.766	1.756	1.282	148.1	1.163
Switzerland	(SFr)	25.17	4.645	4.116	1.219	0.452	1184	1.372	5.108	122.3	102.7	5.281	1	0.404	0.927	0.677	78.19	0.614
UK	(£)	62.26	11.49	10.18	3.015	1.118	2928	3.394	12.63	302.5	253.9	13.06	2.473	1	2.294	1.675	193.4	1.519
Canada	(C$)	27.14	5.009	4.439	1.314	0.487	1277	1.480	5.508	131.9	110.7	5.694	1.078	0.436	1	0.730	84.32	0.662
USA	($)	37.18	6.861	6.080	1.800	0.667	1749	2.027	7.545	180.7	151.7	7.800	1.477	0.597	1.370	1	115.5	0.907
Japan	(Y)	32.19	5.941	5.264	1.559	0.578	1514	1.755	6.533	156.4	131.3	6.754	1.279	0.517	1.186	0.866	100	0.785
Ecu	-	40.99	7.564	6.703	1.985	0.736	1928	2.234	8.318	199.2	167.2	8.599	1.628	0.658	1.510	1.103	127.3	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.5585	0.5590	+0.0004	0.5630	0.5577	30,928	113,240
Dec	0.5631	0.5633	+0.0011	0.5635	0.5614	42	1,117
Mar	-	0.5650	-0.0006	0.5669	0.5644	1	345

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.8850	0.8797	-0.0049	0.8874	0.8807	10,224	57,284
Dec	0.8935	0.8910	-0.0051	0.8948	0.8929	44	1,450
Mar	-	0.9078	-	-	-	54	151

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6817	0.6837	+0.0020	0.6868	0.6818	17,885	51,285
Dec	0.6912	0.6910	+0.0021	0.6920	0.6900	311	1,360
Mar	0.6964	0.6964	-	0.6964	0.6964	500	568

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.6842	1.6750	-0.0094	1.6874	1.6778	5,150	66,253
Dec	-	1.6740	-0.0046	-	1.6720	12	887
Mar	-	1.6670	-0.0058	-	1.6670	1	3

UK INTEREST RATES

LONDON MONEY RATES

Jul 15	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7⅜ - 6	6¾ - 6⅝	6¾ - 6⅝	[illegible]	[illegible]	7½ - 7⅜
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	6¼ - 6⅛	6⅜ - 6¼	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	6⅞ - 6⅝	6¾ - 6⅝	-	-	-	-

UK clearing bank base lending rate 6¾ per cent from Jul 10, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount on Jul 11, 6.5951pc. ECGD fixed rate Stlg. Export Finance. Make up day Jun 30, 1997. Agreed rate for period Jul 26, 1997 to Aug 25, 1997, Scheme III 7.86pc. Reference rate for period May 31, 1997 to Jun 30, 1997, Schemes IV & V 6.738pc. Finance House Base Rate 7pc from Jul 1, 1997

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	92.84	92.83	-0.01	92.85	92.83	9382	121373
Dec	92.60	92.60	-0.01	92.63	92.59	12574	130845
Mar	92.49	92.50	-	92.52	92.48	10518	101841
Jun	92.47	92.49	-	92.51	92.47	6724	69073
Sep	92.49	92.51	-	92.52	92.49	3021	48263

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9275	0.15	0.09	0.13	0.07	0.24	0.38
9300	0.03	0.02	0.06	0.20	0.42	0.58
9325	0	0	0.02	0.42	0.65	0.77

Est. vol. total, Calls 1930 Puts 9100 Previous day's open int., Calls 148002 Puts 137572

EMS EUROPEAN CURRENCY UNIT RATES

Jul 15	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Finland	5.85424	5.85085	-0.01285	-0.06	3.65	0
Italy	1906.48	1924.90	+0.8	0.97	2.60	-7
Portugal	197.398	200.027	+0.142	1.33	2.23	-9
Ireland	0.798709	0.735247	+0.002771	-7.95	12.53	54
Spain	163.826	167.021	+0.076	1.95	1.61	-14
Denmark	7.34555	7.55043	+0.00177	2.79	0.78	-19
Netherlands	2.16979	2.23095	-0.00008	2.82	0.75	-21
Germany	1.92573	1.98161	+0.00001	2.90	0.67	-29
Austria	13.5485	13.9425	+0	2.91	0.66	-21
Belgium	39.7191	40.9159	+0.0091	3.01	0.56	-22
France	6.45863	6.69054	-0.00584	3.59	0.00	-30
NON ERM MEMBERS						
Greece	295.269	310.476	-0.164	5.15	-1.48	-
UK	0.793103	0.655274	+0.000227	-17.38	25.38	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Aug	CALLS Sep	CALLS Oct	PUTS Aug	PUTS Sep	PUTS Oct
1.680	2.09	2.55	2.99	1.46	2.11	2.66
1.690	1.58	2.11	2.51	1.96	2.58	3.19
1.700	1.18	1.69	2.14	2.51	3.16	3.77

Previous day's vol., Calls 320 Puts 3,100. Prev. day's open int., Calls 29,856 Puts 34,065

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Aug	CALLS Sep	CALLS Oct	PUTS Aug	PUTS Sep	PUTS Oct
0.550	1.09	1.41	1.63	0.38	0.56	0.69
0.555	0.78	1.11	1.35	0.56	0.76	0.90
0.560	0.56	0.85	1.08	0.78	1.01	1.14

Previous day's vol., Calls 919 Puts 1,892. Prev. day's open int., Calls 10,018 Puts 11,595

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.22	94.21	-0.01	94.23	94.20	42,568	540,038
Dec	94.04	94.03	-	94.04	94.01	44,695	461,148
Mar	93.98	93.97	-0.01	93.98	93.93	30,196	310,157

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.87	94.87	-0.01	94.88	94.86	190	7,717
Dec	-	94.71	-	94.71	94.71	2	606

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Aug	CALLS Sep	CALLS Oct	CALLS Dec	PUTS Aug	PUTS Sep	PUTS Oct	PUTS Dec
9675	0.04	0.06	0.03	0.05	0.02	0.04	0.16	0.18
9700	0	0.01	0.01	0.01	0.23	0.24	0.39	0.39
9725	0	0	0	0	0.48	0.48	0.63	0.63

Est. vol. total, Calls 26255 Puts 15065. Previous day's open int., Calls 338022 Puts 254979

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9875	0.05	0.07	0.11	0.23	0.39	0.53
9900	0.01	0.03	0.05	0.44	0.60	0.72

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 3025 Puts 3256

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Duncan Lawrie	6.75	Scottish Widows Bank	6.75
Allied Irish Bank (GB)	6.75	Exeter Bank Limited	7.75	●Singer & Friedlander	6.75
●Henry Ansbacher	6.75	Financial & Gen Bank	7.50	●Smith & Williamson Secs	6.75
Bank of Baroda	6.75	●Robert Fleming & Co	6.75	Sun Banking Corp Ltd	6.75
Banco Bilbao Vizcaya	6.75	●Guinness Mahon	6.75	TSB	6.75
Bank of Cyprus	6.75	Habib Bank AG Zurich	6.75	United Bank of Kuwait	6.75
Bank of Ireland	6.75	●Hambros Bank	6.75	Unity Trust Bank Plc	6.50
Bank of India	6.75	Heritable & Gen Inv Bk	6.75	Western Trust	6.50
Bank of Scotland	6.75	C. Hoare & Co	6.75	Whiteaway Laidlaw	6.75
Barclays Bank	6.75	Hongkong & Shanghai	6.75	Yorkshire Bank	6.75
Brit Bk of Mid East	6.50	Investec Bank (UK) Ltd	6.75		
●Brown Shipley & Co Ltd	6.75	Julian Hodge Bank	6.75		
Citibank NA	6.75	●Leopold Joseph & Sons	6.75		
Clydesdale Bank	6.75	Lloyds Bank	6.75		
The Co-operative Bank	6.75	Midland Bank	6.75		
Coutts & Co	6.75	NatWestminster	6.75		
Cyprus Popular Bank	6.75	●Rea Brothers	6.75		
		Royal Bk of Scotland	6.75		

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COMMODITIES AND AGRICULTURE

Traders look to INRO for action on rubber

By Gary Mead

Traders in natural rubber have been thrown into confusion by a sudden 16 per cent slide in international prices, partially sparked by the recent devaluation of the Thai baht. The fall started two weeks ago and accelerated at the beginning of this week.

"It's a severe problem, though not yet a crisis," said one specialist yesterday. He added that slack physical demand in the US and Europe, where buyers have built up stocks, was exacerbating the uncertainty created by the currency problems in Thailand, the world's biggest natural rubber producer.

Traders are watching closely to see if Mr James Hegarty, the buffer stock manager of the International Rubber Organisation (INRO), an intergovernmental group, will intervene and buy rubber on the open market in order to prevent any further price collapse. He has already indicated his willingness to do so.

Under INRO rules, the buffer stock manager can buy rubber once the price hits the "may-buy" figure of 183 Malaysian/Singapore cents a kilo on a five-day average price indicator, a figure arrived at through a complicated arithmetical calculation.

The may-buy indicator strengthened slightly yesterday, to 182.27 Malaysian/Singapore cents a kilo from 182.07 cents a kilo last Friday. INRO has a war chest of some M$70m (US$27.7m) with which it can intervene in the market, and can ask its members for further funds if it decides this is necessary.

Some analysts said yesterday that they doubted that INRO would rapidly jump into the fray.

Mr Robert Willis, an economist specialising in rubber with LMC International, a consultancy, said that he thought INRO would "sit back and watch for the time being, as the may-buy price has often been hit in the past, and usually proved to be something of a psychological barrier to further price collapses. Hitting it has usually had the effect of steadying prices."

Another specialist pointed out that "the problem for INRO is that the last time it intervened and bought stock, during 1989-93 when it purchased some 270,000 tonnes, all that happened was that prices bumped along the bottom for the next four years."

He added that if the price of natural rubber stayed at this current low level for very long "then it is difficult to see how the major producers, including Malaysia and Indonesia, which together account for 70 per cent of world production, will be able to make any money from the business."

Nevertheless, there was a general feeling of unease in the rubber markets yesterday, as dealers looked to INRO for action.

But Mr Maurice Cain, secretary general of the International Rubber Study Group, said that while the current price turmoil was causing confusion in the market, it was too soon for concern.

"Although this situation is serious, it will only resolve itself into a crisis if the low price level persists into the medium term," he said.

French grape harvest forecast to fall

By David Owen in Paris

Adverse weather conditions look like contributing to a reduced French wine grape harvest in 1997, according to forecasts published by the country's agriculture ministry.

Figures announced yesterday suggested 1997 wine production would fall to 56.1m hl 6 per cent lower than last year's total and down 3 per cent from average production over the past five years.

The biggest decline was expected to be in relatively down-market *vins de table*, where the downturn was forecast to amount to a "severe" 9 per cent from year-earlier levels at 7m hl.

Production of quality wines was predicted to reach 24m hl, a decline of 3 per cent from last year, but in line with the average for the past five years. Output of wines for the manufacture of cognac was expected to be 10m hl and of *vins de pays* 14.7m hl.

The agriculture ministry said damage caused by April frost had been "very heterogeneous" and had particularly affected zones of production in the Rhône valley in south-eastern France.

Hail storms were another culprit. These had damaged crops in the Loire valley to the west, the Gard to the south and in the south-west.

In 1996, French wine and spirits exports rose 5 per cent to FFr36.2bn ($6.15bn), generating a FFr32bn trade surplus, equivalent to a quarter of France's total surplus. Top customers for French wines and spirits last year were Britain, the US, Germany, Belgium-Luxembourg and Japan.

Coffee hit by fund-led sales

MARKETS REPORT

By Gary Mead and Kenneth Gooding

Fund-led selling saw robusta coffee futures fall almost 10 per cent on the London International Financial Futures Exchange yesterday in heavy trading volume of 14,935 lots. The benchmark September contract closed $150 lower at $1,585 a tonne, a slight improvement on the day's low of $1,565.

No new fundamental factors underlay the bearish mood, which dealers ascribed to large investment funds getting out of the market after a recent five-month rally that had driven London robusta futures to a peak of $2,700 in late May.

Weather forecasters believe Brazil's crop will now be frost-free until at least July 22.

Elsewhere on Liffe, the September contract for cocoa recovered slightly, closing the day £12 higher at £1,045 a tonne. The rise was linked by some specialists to a strengthening of sterling, though bearish fundamentals continue to cloud the mid-term outlook.

On the International Petroleum Exchange, September Brent crude oil rallied during the day, and by late afternoon trading was trading at $18.05 a barrel, up 6 cents.

Traders attributed the small rebound to market relief that uncertainty over resumed Iraqi exports had been removed.

The technical squeeze in the London Metal Exchange's copper market eased slightly in late trading. Early yesterday the premium for copper for immediate delivery, compared with metal for delivery in three months, moved up to $270 a tonne but later eased back to $250–$255, little changed from the close on Monday.

Mr Alan Williamson, analyst at Deutsche Morgan Grenfell, said the squeeze on the LME had pushed London prices well above those on the New York Commodity Exchange. This was encouraging merchants to shift material from Comex to LME warehouses, thereby pushing up LME stocks.

"The shift in stocks would have been even greater over the past two weeks had it not been for a shortage of trucks and rail, as the copper market was competing with fruit and vegetables for space," he said.

LME zinc prices fell below the $1,500 a tonne achieved on Monday and in late trading were down $11 to $1,491.

Mali back in the gold big league

Gold made the ancient, land-locked empire of Mali one of the richest in the world between the 13th and 16th centuries. Now, with the help of modern mining techniques, the country is re-emerging as an important producer.

The start-up of the Sadiola Hill mine near Kayes, which reached full production of one tonne a month in May, has catapulted Mali into the top ranks of West African gold producers, second only to Ghana.

Mr Cheikna Seydi Diawara, Mali's minister of mines, energy and water, says he is sure his country will produce 20 tonnes of gold (643,000 troy ounces) this year. The number of advanced projects in the pipeline suggests that an annual rate of 25 tonnes will be reached before 2000.

But his medium-term target is 30 tonnes (965,000 ounces). "That would be good for us. The government puts great store in the mining sector because it creates jobs and wealth."

Gold mines of Sadiola Hill's size are rare. Sadiola cost about US$300m and is being operated by Anglo American Corporation, of South Africa, the world's biggest corporate gold producer.

Mr Diawara is particularly keen to encourage smaller companies to Mali. This might involve government assistance with infrastructure projects, or changing mining regulations to make it easier for small companies to get projects into production quickly.

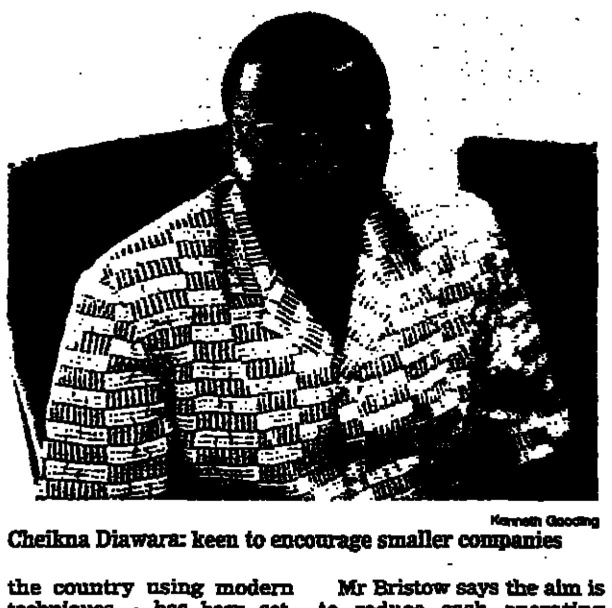
However, Mr Diawara insists that "in future, there will be minimal state involvement in mining companies. The government will concentrate on providing geological data for potential investors."

There are 27 foreign companies exploring for gold or mining it in Mali, and another four involved in joint ventures with Malian companies. There are also 22 Malian companies searching for the metal.

Among the foreign groups is Randgold Resources, the international arm of Randgold of South Africa that was listed this month on the London Stock Exchange. Mr Mark Bristow, its managing director, suggests Mr Diawara is the most knowledgeable mining minister in Africa because he is a geologist with considerable practical experience in the mining industry.

One reason Mr Diawara can be confident that Mali will soon be producing 25 tonnes of gold a year is that the future of the Syama mine – developed by Broken Hill Proprietary of Australia, and the first gold mine in the country using modern techniques – has been settled. BHP spent $107m to develop Syama in a remote area near Sikasso in two stages between 1990 and 1994. But the mine never lived up to the group's expectations and this led to tensions between BHP, the workforce and the government.

Randgold Resources bought BHP's 65 per cent stake in the mine and other Malian assets for $84m, and intends to spend $68m over the next three years on capital equipment and making changes to lower Syama's costs.



Kenneth Gooding

Cheikna Diawara: keen to encourage smaller companies

Mr Bristow says the aim is to reduce cash operating costs, which were between $350 and $360 an ounce when BHP owned the mine, to $210 and boost annual production from last year's 120,000 ounces to 270,000 ounces.

Resources is confident it will have at least one more gold mine operating in Mali, and possibly two, within five years. It took only 15 months to bring Sadiola Hill into operation.

Apart from operating the mine, Anglo owns 38 per cent of Semos, the investment vehicle for the project. Its partners are Iamgold of Canada, with 38 per cent; the Malian government, with 18 per cent; and International Finance Corporation, the World Bank's commercial arm, with 6 per cent.

Another project Mr Diawara hopes will add to Mali's production soon is Kalana. This produced some gold when it was owned by the state and operated by Russians, who suggested Kalana had 1.4m ounces (43.5 tonnes) of mineable gold.

In keeping with Mali's "minimal involvement" in mining companies, Kalana was privatised and is now being re-evaluated by Ashanti Gold Fields, of Ghana, and its partner in the venture, South Africa's JCI. Mr John Clarke, Ashanti's director of new business, says Kalana could become a small mine quite quickly, but Ashanti is keen to explore its larger potential, perhaps with other partners.

Mr Diawara says that, although Mali based its mining legislation and regulations on those formulated in Quebec – to make them attractive to international miners – the rules are evolving all the time. "We can learn from mining companies operating here how to improve the mining legislation. We want our legislation to be specific to Mali. We want to hear what investors in Mali want from us."

Kenneth Gooding

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1539.5-40.5	1568-69
Previous	1559.5-60.5	1587-88
High/low		1585/1483
AM Official	1546-46.5	1575.5-76.0
Kerb close		1462-63
Open int.	262,883	
Total daily turnover	99,039	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1390-95	1420-25
Previous	1405-10	1435-40
High/low		1435/1420
AM Official	1390-95	1415-20
Kerb close		1420-25
Open int.	5,263	
Total daily turnover	2,464	

■ LEAD ($ per tonne)

Close	628-9	643-4
Previous	655-56	669-70
High/low		662/636
AM Official	641.5-42.0	656-57
Kerb close		638-9
Open int.	35,998	
Total daily turnover	17,609	

■ NICKEL ($ per tonne)

Close	6755-65	6870-80
Previous	6795-805	6910-20
High/low		6940/6850
AM Official	6775-85	6890-91
Kerb close		6875-80
Open int.	50,130	
Total daily turnover	24,665	

■ TIN ($ per tonne)

Close	5475-85	5530-40
Previous	5560-70	5612-14
High/low		5610/5510
AM Official	5485-90	5555-60
Kerb close		5515-20
Open int.	13,568	
Total daily turnover	5,005	

■ ZINC, special high grade ($ per tonne)

Close	1485-86	1494-95
Previous	1504-05	1505-06
High/low		1502/1483
AM Official	1486-87	1490.5-91.0
Kerb close		1490-92
Open int.	95,957	
Total daily turnover	42,642	

■ COPPER, grade A ($ per tonne)

Close	2532-35	2287-88
Previous	2545-50	2313-14
High/low	2600/2524	2335/2272
AM Official	2590-91	2325-26
Kerb close		2277-78
Open int.	155,126	
Total daily turnover	130,738	

■ LME AM Official £/$ rate: 1.6855
LME Closing £/$ rate: 1.6745

Spot: 1.6763 3 mths: 1.6712 6 mths: 1.6653 9 mths: 1.6601

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	108.10	–2.10	111.00	107.60	992	5,245
Aug	105.20	–1.60	107.50	104.50	71	3,641
Sep	104.70	–1.60	106.90	104.00	4,033	21,926
Oct	103.70	–1.40	105.70	103.50	16	1,465
Nov	103.60	–1.20	105.40	104.70	2	1,254
Dec	102.70	–1.25	104.40	102.00	610	8,038
Total					5,834	48,186

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	319.90-320.40		
Opening	319.00-319.40		
Morning fix	319.00	189.21	470.05
Afternoon fix	319.75	191.24	471.47
Day's High	320.75-321.25		
Day's Low	318.50-319.00		
Previous close	320.50-321.00		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month .... 3.12 6 months 3.43
2 months .... 3.24 12 months 3.65
3 months 3.36

Silver Fix	p/troy oz.	US cts equiv.
Spot	253.80	427.75
3 months	257.10	432.50
6 months	261.50	437.95
1 year	269.20	447.90

Gold Coins	$ price	£ equiv.
Krugerrand	320-322	191-192
Maple Leaf	-	-
New Sovereign	75-78	45-47

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	318.3	–1.8	-	-	4	2
Aug	319.0	–1.8	322.2	318.7	20,421	105,1k
Sep	319.6	–1.8	-	-	4	2
Oct	320.4	–1.8	323.0	320.3	324	11,018
Dec	322.4	–1.8	325.4	322.0	2,892	39,327
Feb	324.4	–1.8	326.2	324.6	51	10,125
Total					24,898	214,887

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	400.4	–3.1	405.1	401.1	202	632
Oct	386.4	–2.1	391.5	388.0	900	9,985
Jan	381.4	–1.1	387.0	380.5	20	1,857
Apr	381.4	–1.1	-	-	-	149
Total					1,122	12,623

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	152.30	–0.15	154.70	151.50	276	4,361
Dec	149.80	–0.65	150.00	150.00	74	952
Mar	149.30	–0.65	-	-	-	25
Jun	149.80	–0.65	-	-	-	105
Total					350	5,443

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	426.8	+2.5	430.5	425.0	15	216
Aug	427.0	+2.2	-	-	-	-
Sep	429.7	+2.2	434.5	423.5	11,151	64,389
Dec	435.9	+2.2	440.5	432.5	836	14,572
Jan	437.7	+2.2	-	-	2	19
Mar	442.1	+2.2	442.5	439.5	68	9,424
Total					12,984	98,158

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Aug	19.28	+0.29	19.32	18.88	39,269	66,762
Sep	19.37	+0.24	19.40	18.50	29,632	68,107
Oct	19.45	+0.22	19.45	18.82	7,825	41,612
Nov	19.52	+0.20	19.53	19.06	4,824	20,442
Dec	19.60	+0.22	19.60	19.15	7,425	45,105
Jan	19.61	+0.19	19.62	19.25	2,301	23,750
Total					100,203	416,325

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Aug	18.06	+0.24	18.11	17.80	16,775	26,407
Sep	18.10	+0.24	18.15	17.86	17,074	79,640
Oct	18.25	+0.26	18.26	18.00	2,780	19,054
Nov	18.35	+0.22	18.35	18.13	781	11,101
Dec	18.48	+0.24	18.48	18.31	704	16,267
Jan	18.48	+0.21	18.48	18.33	463	11,576
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Aug	52.20	+0.53	52.30	51.55	17,197	33,536
Sep	52.90	+0.44	53.00	52.30	9,186	26,847
Oct	53.65	+0.39	53.65	53.20	2,594	21,763
Nov	54.55	+0.39	54.60	54.10	3,504	17,250
Dec	55.40	+0.39	55.40	55.00	3,677	17,189
Jan	56.00	+0.39	56.05	55.60	1,026	13,646
Total					38,531	153,705

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	162.75	+2.00	164.00	160.00	7,477	26,292
Sep	164.25	+1.75	164.50	161.75	2,848	8,545
Oct	166.50	+1.50	166.50	164.75	928	7,698
Nov	168.00	+1.25	168.25	166.50	700	4,822
Dec	169.50	+1.25	169.75	167.75	701	10,456
Jan	170.25	+1.00	170.50	169.00	208	6,227
Total					17,372	73,431

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Aug	2.170	+0.019	2.185	2.145	17,668	31,224
Sep	2.155	+0.009	2.175	2.143	4,805	28,678
Oct	2.160	+0.006	2.175	2.155	1,797	24,906
Nov	2.290	+0.010	2.305	2.280	199	11,456
Dec	2.425	+0.010	2.435	2.415	480	15,014
Jan	2.460	+0.010	2.470	2.455	410	15,604
Total					26,987	198,907

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Aug	59.50	+1.15	59.60	58.15	13,349	29,620
Sep	57.85	+0.74	58.00	56.70	6,628	19,567
Oct	56.10	+0.64	56.15	55.10	1,848	8,201
Nov	54.95	+0.26	-	-	298	3,286
Dec	54.95	+0.59	54.95	54.70	410	6,384
Jan	55.05	+0.44	55.05	54.80	550	5,309
Total					23,488	78,378

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	80.75	+1.00	80.75	80.75	1	229
Nov	83.00	+1.25	83.10	82.00	173	3,725
Jan	85.15	+1.00	85.15	84.30	55	2,066
Mar	87.05	+0.80	87.25	86.25	38	1,025
May	89.25	+1.00	89.45	88.25	60	673
Total					327	7,734

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	332.00	+3	334.00	325.50	345	1,810
Sep	338.25	+2.25	342.00	332.00	14,869	41,829
Dec	352.75	+3	355.50	346.00	6,145	38,418
Mar	361.50	+3.5	364.50	354.25	633	8,522
May	360.00	+2	364.00	359.00	41	880
Jul	359.00	–1.5	367.00	359.00	148	3,175
Total					22,181	98,655

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	270.75	+8.5	272.00	258.00	3,991	11,276
Sep	256.00	+7.5	258.00	243.50	18,476	63,965
Dec	258.50	+7.5	258.50	243.50	59,485	148,862
Mar	265.00	+8	268.75	252.00	3,283	28,106
May	270.50	+8	271.75	258.00	440	5,158
Jul	273.50	+7.5	275.50	262.00	1,101	8,660
Total					87,929	271,978

■ BARLEY LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	76.75	+0.75	-	-	-	33
Nov	79.25	+0.75	79.25	78.50	18	1,068
Jan	81.25	+0.75	81.25	81.25	5	192
Mar	83.00	+0.75	-	-	-	33
May	84.25	+0.75	-	-	-	9
Total					23	1,335

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	811.00	–8	824.50	805.50	1,981	2,863
Aug	775.50	–3.5	782.00	766.00	18,777	34,089
Sep	677.50	+3.5	681.50	662.00	3,878	13,033
Nov	625.75	+4	630.00	607.75	36,563	72,394
Jan	628.75	+3.75	632.00	611.00	2,733	14,595
Mar	636.50	+2.5	640.00	623.00	593	4,338
Total					65,477	147,096

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	22.69	+0.3	22.73	22.23	1,866	1,521
Aug	22.79	+0.36	22.88	22.18	9,270	21,738
Sep	22.93	+0.37	23.10	22.39	3,042	15,396
Oct	22.95	+0.44	23.15	22.42	1,253	14,181
Dec	23.09	+0.46	23.25	22.38	7,322	41,253
Jan	23.20	+0.45	23.35	22.80	519	5,639
Total					23,485	104,814

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	272.7	–2	275.5	271.5	3,446	4,930
Aug	251.9	–3	255.5	250.0	8,922	24,915
Sep	229.4	–0.7	231.9	226.5	2,102	16,931
Oct	209.8	–0.3	212.0	205.0	1,264	14,669
Dec	202.2	-	204.3	197.0	5,931	36,681
Jan	200.7	+0.5	202.5	200.0	969	5,406
Total					24,498	115,278

■ POTATOES LIFFE (20 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	40.0	-	-	-	-	9
Mar	60.0	-	-	-	-	-
Apr	69.0	–4.0	76.0	68.0	70	1,080
May	76.0	–4.0	-	-	-	2
Jun	90.0	-	-	-	-	-
Total					70	1,091

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	1336	+11	1335	1320	50	1,185
Aug	1265	-	1265	1250	4	591
Sep	1300	-	-	-	-	210
Oct	1420	+5	1420	1415	128	1,181
Jan	1430	+5	1430	1430	2	152
Total					187	3,326

	Close	Prev
BFI	1369	1372

FUTURES DATA
All futures data supplied by CMS.

Minor metals
European free market, from Metal Bulletin, $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed). Antimony: 99.65%, $ per tonne, 1,950-2,040 (1,970-2,050). Bismuth: min. 99.99%, tonne lots 3.65-3.85 (3.66-3.85). Cadmium: min. 99.95%, cents a pound, 48.00-58.00 (50.00-60.00). Cobalt: MB free market, min. 99.8%, 22.00-23.50; min. 99.3%, 19.00-20.00 (19.00-19.80). Mercury: min. 99.99%, $ per 76 lb flask, 150-160. Molybdenum: drummed molybdic oxide, 4.45-4.60 (4.50-4.60). Selenium: min 99.5%, 1.90-2.90. Tungsten ore: standard min. 65%, $ per tonne unit (10kg) WO_3, cif, 45-55. Vanadium: min. 98%, CIF, 3.95-4.00 (3.90-3.98). Uranium: Nuexco unrestricted exchange value, 9.70.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	1030	+11	1024	1017	10	420
Sep	1045	+12	1045	1027	1,003	28,859
Dec	1070	+14	1071	1052	1,137	37,193
Mar	1089	+13	1090	1073	945	46,438
May	1104	+14	1103	1098	200	19,682
Jul	1117	+13	1117	1107	739	6,163
Total					4,387	167,845

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	1583	+32	1583	1540	2	48
Sep	1595	+18	1597	1566	3,359	31,869
Dec	1643	+15	1645	1619	957	22,385
Mar	1676	+11	1676	1652	263	21,656
May	1696	+11	1685	1671	1	10,042
Jul	1714	+11	1700	1700	2	1,149
Total					4,587	101,105

■ COCOA (ICCO) (SDR's/tonne)

Jul 14	Price	Prev. day
Daily	1227.00	1229.04

■ COFFEE LIFFE (5 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	1565	–145	1700	1560	525	1,335
Sep	1585	–150	1720	1565	9,155	23,746
Nov	1575	–142	1705	1556	3,765	11,864
Jan	1550	–132	1665	1535	1,100	4,216
Mar	1525	–125	1630	1510	444	821
May	1510	–125	1580	1580	13	87
Total					15,800	42,151

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	184.50	–2.50	190.00	184.00	38	388
Sep	157.85	–4.15	159.50	156.25	2,961	11,410
Dec	145.90	–3.60	147.40	145.50	1,102	5,395
Mar	138.50	–2.80	140.00	138.25	168	2,523
May	135.25	–1.10	137.00	135.50	52	886
Jul	134.30	–0.05	134.80	134.00	64	269
Total					4,381	21,123

■ COFFEE (ICO) (US cents/pound)

Jul 14		Prev. day
Comp. daily	131.94	133.72
15 day average	139.48	140.50

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	327.4	+0.7	327.6	326.2	796	1,834
Oct	317.2	+0.3	317.4	316.0	1,596	10,396
Dec	314.0	–0.8	314.0	313.3	380	4,707
Mar	315.2	–0.6	315.5	315.0	584	5,155
May	315.0	–0.4	315.0	314.8	150	1,251
Aug	311.2	–1.7	311.8	311.8	65	933
Total					3,871	25,158

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	10.97	–0.15	11.12	10.95	2,884	92,363
Mar	11.16	–0.10	11.26	11.16	992	42,822
May	11.08	–0.07	11.15	11.08	157	10,212
Jul	11.02	–0.08	11.08	11.01	157	4,860
Oct	10.98	–0.07	11.04	10.95	103	1,981
Mar	10.93	–0.03	10.92	10.92	5	734
Total					4,278	153,022

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	74.24	+0.76	75.15	73.36	900	12,197
Dec	74.24	+0.77	74.95	73.25	5,176	47,730
Mar	75.43	+0.76	75.95	74.50	1,829	9,748
May	76.10	+0.70	75.90	75.30	444	2,385
Jul	76.60	+0.65	77.00	75.90	51	1,378
Oct	74.80	+0.40	-	-	9	291
Total					8,584	78,863

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	74.50	–1.20	76.90	74.10	744	19,858
Nov	77.20	–0.95	78.60	77.20	152	6,666
Jan	80.30	–0.80	81.60	80.30	44	2,708
Mar	83.55	–0.55	84.85	83.50	89	1,749
May	86.55	–0.55	87.00	87.00	49	386
Jul	89.55	–0.40	90.00	90.00	25	74
Total					1,103	31,536

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Jul 15	Jul 14	month ago	year ago
1903.7	1900.8	1993.2	1985.7

■ CRB Futures (Base: 1967 = 100)

Jul 14	Jul 11	month ago	year ago
234.51	233.52		

■ GSCI Spot (Base: 1970 = 100)

Jul 14	Jul 11	month ago	year ago
182.89	182.84	185.10	210.44

LME WAREHOUSE STOCKS (tonnes)

Aluminium	–1,875	to	660,050
Aluminium alloy	–180	to	57,520
Copper	+2,100	to	143,200
Lead	+500	to	117,300
Nickel	+210	to	53,034
Zinc	–150	to	418,750
Tin	–15	to	11,915

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Aug	65.850	+0.425	66.075	65.325	12,192	35,119
Oct	68.725	–0.425	69.425	68.650	8,187	31,618
Dec	70.900	+0.275	71.200	70.725	3,656	15,690
Feb	72.725	–0.225	73.350	72.700	1,367	7,908
Apr	74.725	+0.025	75.100	74.700	653	3,365
Jun	71.300	+0.350	71.650	71.150	112	2,308
Total					26,268	96,138

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Jul	83.725	+0.025	84.000	83.625	1,222	2,835
Aug	80.975	–0.175	82.050	80.400	4,038	11,936
Oct	74.175	–0.475	75.050	73.450	2,595	11,433
Dec	71.175	–0.325	71.700	70.250	707	5,295
Feb	69.650	–0.350	70.000	68.900	108	1,888
Apr	64.950	–0.325	65.300	64.250	84	1,226
Total					8,760	35,924

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Jul	85.800	+2.925	85.875	84.700	154	584
Aug	82.775	+2.525	83.250	81.600	1,301	4,702
Feb	71.450	+1.100	73.000	70.800	170	828
Mar	70.200	+1.100	72.100	70.200	1	19
Jul	73.500	-	-	-	3	5
Total					1,626	6,145

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Aug	Nov	Aug	Nov
1500	62	103	6	27
1600	9	49	52	70
1700	-	19	143	138

■ COPPER (Grade A) LME	Aug	Nov	Aug	Nov
2200	131	143	11	79
2300	61	94	40	129
2400	21	58	100	192

■ COFFEE LIFFE	Jul	Sep	Jul	Sep
1500	411	116	176	80
1550	385	92	200	107
1600	359	74	224	139

■ COCOA LIFFE	Jul	Sep	Jul	Sep
1025	73	50	-	30
1050	48	37	-	42
1075	24	27	1	57

■ BRENT CRUDE IPE	Aug	Sep	Aug	Sep
1750	-	-	35	-
1800	56	85	-	-
1850	43	-	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$15.98-7.04	+0.185
Brent Blend (dated)	$17.89-7.94	+0.075
Brent Blend (Aug)	$18.01-8.06	+0.148
W.T.I.	$19.30-9.32w	+0.305

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$193-195	+1
Gas Oil	$163-166	+2
Heavy Fuel Oil	$82-84	+2
Naphtha	$174-176	
Jet fuel	$179-180	+2.5
Diesel	$167-168	+2

■ NATURAL GAS (Pence/therm)

Bacton (Aug)	9.45-9.55	+0.05

Petroleum Argus. Tel. London (0171) 359 8792

IPE (Aug)	9.420	+0.020

■ OTHER

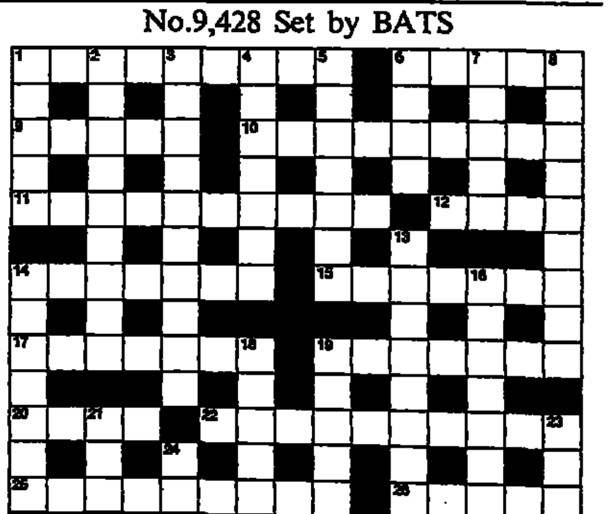
Gold (per troy oz)♣	$320.15	-0.60
Silver (per troy oz)♣	434.00c	+4.00
Platinum (per troy oz.)	$404.00	-1.00
Palladium (per troy oz.)	$172.00	
Copper	116.0c	+2.0
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	13.85r	+0.08
Tin (New York)	261.5	+3.0
Cattle (live weight)	89.86p	-0.31*
Sheep (live weight)	111.91p	-7.00*
Pigs (live weight)†	89.58p	-1.19*
Lon. day sugar (raw)	$268.80	+0.60
Lon. day sugar (wte)	$325.20	-1.20
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Aug)¥	60.00p	+1.00
Rubber (Sep)¥	60.00p	+1.00
Rubber (KL RSS No1)	231.0x	+1.5
Coconut Oil (Phil)§	615.0y	+10.0
Palm Oil (Malay.)§	505.0z	-2.5
Copra (Phil)§	$412.5y	-2.5
Soyabeans (US)	204.0	
Cotton Outlook'A' Index	80.80c	+0.15
Wooltops (64s Super)	420p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Jul/Aug. z Aug. w Jul. ¥London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 4,318 head of pigs sold.

JOTTER PAD

CROSSWORD

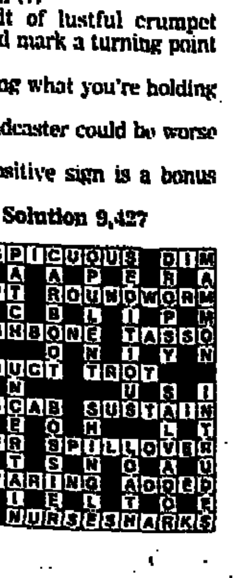
No.9,428 Set by BATS



ACROSS
1 Goat – it keeps abreast in fields often (9)
6 Employees used to raise standards (5)
9 Mostly up-to-date date remembered by Americans (5)
10 Sweet? But not pleasant (9)
11 Temporary debarment is no solution (10)
12 See 20
14 Performance out in opera performance (4-3)
15 Superb garnish (7)
17 Weighty problem evident when fastens buckles (7)
19 Exhausted at top speed (4,3)
20, 12 Heed well, negative response must get beaten off (4,4)
22 Appendages follow men (10)
25 Clear all mess around toilet pipe, like viruses perhaps? (9)
26 Relative elected by former chancellor (not son) (2-3)
27 Rwandans giving little accommodation to America (5)
28 Mae is worn out by lothario (9)

DOWN
1 Northern money, no strings! (5)
2 Passing skill upped by playing tennis (9)
3 Former partner, one criticised, then cleared of blame (10)
4 Ship, one in the middle lane? (7)
5 Collapse unconscious after military training (4,3)
6 Rescue husband (4)
7 Deep blue river below the limits (5)
8 Little person fighting the missus no more, according to Spooner? (9)
13 A spirit or a pint (IPA) gets drunk (10)
14 Composer regularly heard another (9)
16 With two equal sides, le less cos at an angle (9)
18 Bird from which to get down (7)
19 A bit of lustful crumpet could mark a turning point (7)
21 Lifting what you're holding (5)
23 Broadcaster could be worse (5)
24 A positive sign is a bonus (4)

Solution 9,427



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Offshore Funds

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

Jupiter Asset Management (Bermuda) Ltd

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

Royal Bk of Canada O/S Fd Mgrs Ltd

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

AIB Fund Management Ltd

BT Fund Managers (Ireland) Ltd (x)

Bank of Cyprus Group

Baring International Fund Managers (Ireland) Ltd

Lazard Investment Funds Ltd

Morgan Grenfell Investment Funds Ltd (x)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

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Offshore Funds and Insurances

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BAll Asset Management Ltd
10 Piccadilly, London W1V 0EE 0171 734 3700

Bank Von Ernst & Cie AG
Marktgasse 63/65, 3001 Berne, Switzerland

	Selling Price	+ or -	Yield Gr's
UK Equity	£17.35	+0.19	-
UK Smaller Co's Eqty	[illegible]	-0.02	-
Nth American Equity	[illegible]	+0.01	-
US Smaller Co's Eqty	[illegible]	+0.08	-
Pacific Basin Equity	$15.32	-0.21	-
Japanese Equity	Y587	-	-
European Equity	[illegible]	+0.19	-
Swiss Equity	[illegible]	+0.13	-
Sterling Fixed Int	£15.91	-0.02	-
Sterling Fixed Int Div	£13.81	-0.01	-
European Fixed Int	[illegible]	+0.04	-
European Fixed Int Div	[illegible]	+0.03	-
Global Equity	$11.53	+0.35	-
Global Bond	$11.02	-0.07	-
Global Bond Div	$9.75	-0.05	-
Global Managed	[illegible]	+0.35	-

Banque Indosuez
39 Allee Scheffer, L-2520 Luxembourg 00352 47671

	Selling Price	+ or -	Yield Gr's
Indosuez European Small Cos	DM15.51		-
Indosuez Multimedia	$17.84		-

Barclays Diversified Portfolio (z)
50 avenue J.F. Kennedy, L-2951 352 4799 2939

GT Global
+44 171 710 4567 London (852) 2842 7200 Hong Kong

	Selling Price	Buying Price	+ or -	Yield Gr's
GT Europe A	$82.74	87.09	-0.10	0.00
GT Europe A	£49.10	51.68	-0.06	0.00
GT Europe B	$82.94		-0.11	0.00
GT Europe B	£49.21		-0.07	0.00
GT Investment A	$38.10	40.10	-0.08	0.00
GT Investment A	£22.61	23.79	-0.04	0.00
GT Investment B	$38.18		-0.07	0.00
GT Investment B	£22.68		-0.04	0.00
GT US Small Cos A	$37.71	39.69	+0.14	0.00
GT US Small Cos A	£22.38	23.55	+0.08	0.00
GT US Small Cos B	$37.82		+0.14	-
GT US Small Cos B	£22.44		+0.08	0.00

HSBC Investment Funds Luxembourg SA (u)
7 rue du Marche-aux-Herbes L-1728 Luxembourg
Dealing: 00 352 4709 1220 Fax: 475580

HSBC Global Investment Funds
International and Regional Funds

	Selling Price	Buying Price	+ or -	Yield Gr's
Asian Equity	$32.53	34.34	+0.08	-
International Emerging Mkts	$11.52	12.16	-0.08	-
International Managed Equity	$19.41	20.49	+0.14	-
North American Equity	$21.18	22.37	+0.08	0.00
Pan-European Equity	$19.08	20.12	+0.16	-

Market Specific

	Selling Price	Buying Price	+ or -	Yield Gr's
Chinese Equity	$34.12	36.02	+0.40	-
Hong Kong Equity	$73.71	77.80	+0.57	-
Indian Equity F	$10.89	11.50	-0.02	-
Japanese Equity	$12.70	13.41	-0.21	-
Malaysian Equity	$30.87	32.60	-0.34	-
Singaporean Equity	$28.73	30.33	-0.30	-

Bond and Reserve Funds

	Selling Price	Buying Price	+ or -	Yield Gr's
International Managed Bond	$12.73	13.44	-0.02	-
Sterling Bond	£5.13	5.42	-0.04	-
US Dollar Bond	$10.50	11.08	+0.02	-
US Dollar Reserve	$8.59	9.07	-	-

Henderson Management SA (u)
60 rue de Treves, L-2633 Senningerberg, Lux
0171-638 5757 or 00-352 348822

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

صحفنا من الاصل

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PanEuroLife societe anonyme

Premier Life

Professional Investment Consultants

Royal Life International

Arnfield-Nermen Investment Mgmt Inc

Arnhold and S. Bleichroeder, Inc

Asia Pacific Capital Strategies Fund

Asia Pacific Securities Corp Ltd

Atlantic Investment Ltd

Atlas Management Limited

Aurum Funds

BAS-EX Currency Fund Plc

BEA Associates

BNP

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES
[illegible]

BANKS, RETAIL
[illegible]

BREWERIES, PUBS & REST
[illegible]

BUILDING & CONSTRUCTION
[illegible]

BUILDING MATS. & MERCHANTS
[illegible]

CHEMICALS
[illegible]

CHEMICALS - Cont.
[illegible]

DISTRIBUTORS
[illegible]

DIVERSIFIED INDUSTRIALS
[illegible]

ELECTRICITY
[illegible]

ELECTRONIC & ELECTRICAL EQPT
[illegible]

ENGINEERING
[illegible]

ENGINEERING - Cont.
[illegible]

ENGINEERING, VEHICLES
[illegible]

EXTRACTIVE INDUSTRIES
[illegible]

EXTRACTIVE INDUSTRIES - Cont.
[illegible]

FOOD PRODUCERS
[illegible]

GAS DISTRIBUTION
[illegible]

HEALTH CARE
[illegible]

HEALTH CARE - Cont.
[illegible]

HOUSEHOLD GOODS
[illegible]

INSURANCE
[illegible]

INVESTMENT TRUSTS
[illegible]

INVESTMENT TRUSTS - Cont.
[illegible]

INV TRUSTS SPLIT CAPITAL
[illegible]

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

[illegible]

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

OIL, EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Mkt CapEm	Yld Gr's	P/E
Anglo Am Ind R		£28¼		*£28⅝	£20¼	2,011	2.7	Φ
Barlow	§†	684	+⅞	27⅛	£5¾	1,357	2.1	14.2
Gold Flds Prop R	†	169		168½	120	17.3	5.0	13.3
SA Brews		£18⅞	+⅛	£19⅜	£13¾	9,429	2.0	Φ
Standard Bank		£28½	+⅛	£30	£21	3,284	1.9	Φ
Tiger Oats	†	1025	+23	1180	790	1,548	1.8	20.2
Tongaat-Hulett		735½xd	+6	811	676½	713.9	2.5	Φ

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
h Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
k Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1997.
K Yield based on prospectus or other official estimates for 1997-98.
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1997-98.
¶ Dividend is paid in whole or part as a

FID (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1425 a year for each security shown, subject to the Editor's discretion

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LONDON STOCK EXCHANGE

FTSE 100 tops and then loses the 4,900 level

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

The London market's surge showed few signs of running out of steam yesterday, with the FTSE 100 index pushing through 4,900 but just failing to hold that level. The leading index eventually finished the session 41.9 points higher at 4,899.3.

Yesterday's performance was triggered by a fresh bout of strength in the banking sector, which along with pharmaceutical and oil stocks, has spearheaded the market's powerful showing this year.

Footsie's failure to hold above 4,900 was said to have reflected a disappointing performance by Wall Street at the opening yesterday, when the Dow Jones Industrial Average came in looking dull showing an early fall of over 20 points.

Wall Street had also performed rather disappointingly on Monday, finishing only a fraction higher after a disjointed performance earlier in the US session.

Consumer stocks, said to be benefiting from the money generated by the flotations of Alliance & Leicester, the Halifax and Norwich Union, were also being chased higher as the regular monthly survey from the British Retail Consortium gave credence to the windfall stories.

The market's second liners, which have been left behind by the leaders, showed signs of a resurgence of confidence with the FTSE 250 index pushing up 27.6 to 4,451.5. But that index remains 277.9 below its all-time intra-day record of 4,736.2, reached in March this year.

There was no such joy for the smallcap stocks that remained under a cloud; the FTSE SmallCap index ended the day 0.2 lower at 2,205.2. "The focus is on the leaders and some of the second liners; these stocks are still on the backburner," one marketmaker insisted.

Dealers said the big marketmaking firms had clearly been caught on the wrong foot by the market's sudden upward move after last week's interest rate rise. "The marketmakers haven't got the stock that the fund managers want to buy so they are having to drive prices up to try to persuade sellers back into the market; it's a painful process for them," said one salesman.

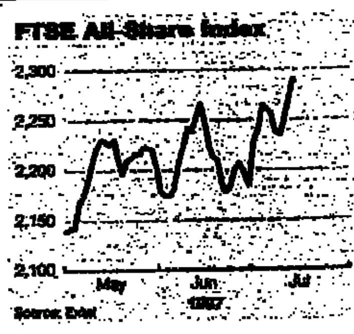
Over the past five trading sessions, the FTSE 100 index has risen 140.8 or almost 3 per cent. The rise followed the increase in UK interest rates of 25 basis points, a move the market had correctly anticipated.

Also helping to fuel the surge, dealers said, was a continuing undercurrent of takeover and merger speculation, specifically in the financial sectors but also across other areas of the market.

HSBC and Lloyds TSB continued to shine in a buoyant bank sector, promoted by one of the market's influential broking houses, while takeover speculation was behind the strong showing put up by Royal Bank of Scotland. Centrica and BG were also being keenly bought.

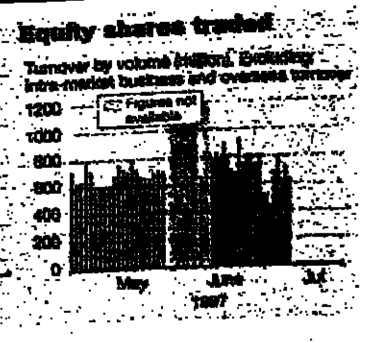
Turnover continued at higher than usual levels, reaching 939.5m at the 6pm cut-off point. It was boosted again by heavy activity in BT, where some 53m shares changed hands.

FTSE All-Share Index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FTSE 100	4899.3	+41.9	FT 30	3098.3	+18.2
FTSE 250	4451.5	+27.6	FTSE Non-Fins p/e	19.30	19.19
FTSE 350	2344.9	+19.0	FTSE 100 Fut Sep	4833.0	+53.0
FTSE All-Share	2289.81	+17.33	10 yr Gilt yield	7.15	7.14
FTSE All-Share yield	3.39	3.42	Long gilt/equity yld ratio	2.12	2.10

Best performing sectors

1. Gas Distribution ... +4.5
2. Banks: Retail ... +2.4
3. Breweries: Pubs & Rest ... +2.2
4. Textiles & Apparel ... +1.9
5. Retailers: General ... +1.9

Worst performing sectors

1. Electronic & Elec ... -1.5
2. Alcoholic Beverages ... -1.0
3. Extractive Inds ... -0.9
4. Leisure & Hotels ... -0.5
5. Media ... -0.4

HSBC up at new peak

By Peter John and Martin Brice

HSBC led banking stocks in a seemingly unstoppable journey that has seen gains of 100 per cent in the past year and a ratings explosion.

The global bank jumped 85½ to £20.86 in the Ordinaries, a new peak, one of the best performances in the Footsie and up from only £10.30p a year ago. The sharp rise took the market valuation of the bank close to £55bn.

Meanwhile, Lloyds TSB moved forward 22½ to 697½p. At that level it is more than twice the price of 12 months ago. The FTSE All-Share, by comparison, has gained only 25 per cent.

Dresdner Kleinwort Benson raised price targets and recommendations. Kleinwort says HSBC remains undervalued relative to other banks and would be more fairly priced at £24 a share, 20 per cent above yesterday's opening price.

The broker also points out: "In 1995, six of the nine banks were valued at a p/e of nine to 10 times earnings. Today in the overall sector [they] range from 11 to 17 times... Investors will continue to pay a premium for banks that can deliver superior earnings per share in a low risk way."

Asian dealers have also been highlighting the ratings. One said HSBC was trading at 16.8 times earnings in Hong Kong while its subsidiary, Hang Seng Bank, was trading at 25.6 times and Bank of East Asia at 22.6 times.

Demand in Asia has been fuelled by hopes of more Chinese participation in banks after Cosco Pacific proposed to raise its stake in Liu Chong Hing Bank to 20 per cent last week.

Additionally, the shares were helped by Hong Kong's Hang Seng share index, which scaled new peaks and of which HSBC is a large constituent. Standard Chartered, also exposed to the Hang Seng, advanced 27 to £10.00½p.

Elsewhere in the UK sector, Kleinwort upgraded Barclays to "add" from "hold" and Abbey National to "reduce" from a straight "sell". Barclays rose 18¼ to £12.52½p but Abbey eased 2 to 856½p.

Dresdner Kleinwort takes a more gloomy view on National Westminster, which it maintains as a "core sell" down to 730p.

SBC Warburg also took the stock off the buy list and the shares slipped 5½ to 853p.

Meanwhile, Halifax and Alliance & Leicester lagged as investors shunned the demutualised building societies because of stretched valuations. Kleinwort has lowered its stance on Halifax to "reduce" from "hold" and the shares were steady at 756½p. Alliance & Leicester eased 1½ to 619½p.

Royal Bank of Scotland jumped 24 to 634p on heavy turnover of 6.8m as old takeover stories were brushed down.

Continuing uncertainty over the merger with MCI took its toll on BT. The shares gave up 4 to 452½p in volume of 47m, making it the most heavily traded stock in London. Up to 10 per cent of BT shares are said to be at the centre of a big arbitrage, and some investors were pulling out of the position yesterday.

The share price is likely to be driven today by any news relating to the merger that will emanate from the BT annual meeting in Edinburgh. Apart from the immediate merger news, traders were saying the BT share price was likely to see support in the short term, because it does not go ex-dividend until August 11.

British Gas became the day's best Footsie performer in late trading with dealers citing buying from one of the UK's establishment brokers. The shares blipped up 14 to 241¼p with 10m traded.

News that Cairn Energy has submitted joint bid applications with its strategic partner, Shell, for a number of new oil blocks in Bangladesh sent the shares up 16½ to 514½p.

There was also a recommendation from SocGen.

Eurotunnel was off 9 at 68p on news of a one-day strike on July 23, making it the worst performing stock in the FTSE 250 index. Its rival on the Dover-Calais crossing, P & O, was up 17 at 650p.

The popularity of food retailers continued unabated as investors sought defensive stocks sheltered from the effect of rising interest rates with Asda up 2¾ to 143¼p, J Sainsbury ahead 9 to 433p, while Safeway firmed to 387p and Tesco advanced 3 to 432p. Tesco is again being linked with a deal to buy some shops from WH Smith, which rose 13½ to 364p after weekend press chat that it was a bid target.

GUS reversed early losses during an analysts' trip to the company's mail order side, and put on 7½ to 624½p.

Dixons continued to benefit from its positive trading statement last week and advanced 23½ to 583¾p, and so did Kingfisher, which put on 18½ to 733½p. Hopes of a consumer spending boom, following the windfall gains from building society flotations, also helped Argos, which rose 15 to 622½p.

Media stocks were out of favour as the leading players suffered again from their exposure to a strong pound. Pearson, the conglomerate which owns the Financial Times, lost 11 to 668½p on talk of a big US seller in the market, Carlton 6 to 512½p and BSkyB 6 to 449p.

Brewing-related stocks were still in favour as investors focused on the spending power of the consumer. Bass was ahead 19½p at 847½p, helped by a positive note from Lehman Brothers, which shifted its stance from "neutral" to "outperform".

Whitbread was up 21½ to 850p and Scottish & Newcastle advanced 24 to 752p.

Guinness gave up 8 to 606p and GrandMet edged down 8½ to 606p on a story that Mr Bernard Arnault, who controls the French drinks group LVMH, will today reveal plans for a three-way merger.

Redland advanced 5½ to 297½p after Mr Michael Betts at Goldman Sachs said the stock was "substantially undervalued" on a long-term view.

Rolls-Royce benefited from a buy recommendation from Lehman Brothers and the stock rose 6 to 222p in volume of 7m. Mr Charles Armitage at the broker has told clients the company is worth up to 250p a share.

Shield Diagnostics, the biotech stock, fell 32½ to 510p as euphoria waned following the company's results.

Buying of the sector in the wake of ICI's DuPont deal on Monday gave a lift to Croda International. The shares gained 17 to 271p with additional help from a Sutherlands recommendation. ICI added another 8 at 888p.

Hitachi Creditcame to the market with a placing by UBS at 135p a share. The stock ended at 144½p.

FT 30 INDEX

	Jul 15	Jul 14	Jul 11	Jul 10	Jul 9	Yr ago	*High	*Low
FT 30	3098.3	3080.1	3052.7	3037.3	3030.1	2668.8	3098.3	2668.8
Ord. div. yield	3.53	3.55	3.60	3.62	3.63	4.07	4.22	3.53
P/E ratio net	18.79	18.68	18.46	18.31	18.27	16.00	18.79	15.80
P/E ratio nil	18.59	18.49	18.27	18.12	18.08	15.71	18.59	15.71

FT 30 since compilation: high 3098.3 15/07/97; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
3080.0	3078.9	3084.3	3092.2	3094.6	3097.5	3098.6	3095.2	3099.0	3100.0	3078.3

	Jul 15	Jul 14	Jul 11	Jul 10	Jul 9	Yr ago
SEAQ bargains	53,014	51,584	53,604	49,160	48,488	28,200
Equity turnover (£m)†	-	NA	2392.1	2063.9	2044.7	1703.4
Equity bargains†	-	NA	46,814	43,683	43,647	33,115
Shares traded (ml)†	-	NA	641.7	635.5	634.4	537.5

†Excluding intra-market and overseas turnover but including Crest turnover.

 *For 1997.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	791	Total Highs	138	Total contracts	85,904
Total Falls	664	Total Lows	96	Calls	51,095
Same	1,613			Puts	34,809

Jul 15 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	4873.0	4932.0	+52.0	4943.0	4870.0	15085	70857
Dec	4949.0	4993.5	+52.5	4981.5	4949.0	76	4869
Mar	-	5032.0	+50.0	-	-	0	101

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	-	4500.0	+18.0	-	-	0	7117

■ FTSE 100 INDEX OPTION (LIFFE) (*4899) £10 per full index point

	4700 C	4700 P	4750 C	4750 P	4800 C	4800 P	4850 C	4850 P	4900 C	4900 P	4950 C	4950 P	5000 C	5000 P	5050 C	5050 P
Jul	212½	½	162½	2	117	5	73	12	39	29½	19	58	5	101	1	151
Aug	238½	26	197½	35	161	48	126½	64½	97½	86	72½	111½	51½	140	36	175
Sep	282½	50	245	62	207	75	175½	94½	144½	115	117½	139	95	168	74	195
Oct	318	62½	272½	74½	237	89½	207	109	177	130	149	154	128	182	109	212½
Dec†	378½	91			319½	122½			245½	159½			199	208½		

Calls 18,566 Puts 6,249

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4725 C	4725 P	4775 C	4775 P	4825 C	4825 P	4875 C	4875 P	4925 C	4925 P	4975 C	4975 P	5025 C	5025 P	5075 C	5075 P
Jul	189½	1½	137	3	91	6½	51	16½	22½	38	7½	73	2	117	1	165½
Aug	215½	29	176½	39½	141	53½	109	71½	81½	93½	59	120½	41	152½	27½	188½
Sep	258½	55	223	68	189½	83½	158½	102	130	123½	106½	148	84	175½	65½	208½
Dec	358½	95½			288	124½			228½	162			174	204½		
Mar†	416	123			350	152			288	187			234	227		

Calls 14,234 Puts 9,941 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§	F.P.	82.3	130½	124½	Ashtenne	130½	+4	W5.0	1.8	4.8	14.7
§150	F.P.	30.5	152½	149½	AIT	150½		L1.38	3.9	1.1	28.3
§100	F.P.	23.9	115	112½	Cammell Laird	112½	-2	L3.8	2.1	4.2	10.9
§260	F.P.	15.8	275	265	Delcam	267½		L2.5	4.4	1.2	24.2
*	F.P.	2.02	26	24	†Euro Mining Fin	25		-	-	-	-
§150	F.P.	245.0	202	162½	Galen Hldgs	202	+12	L0.9	5.7	0.8	32.5
§2.5	F.P.	3.00	3½	3	Groemont Hldgs	3		-	-	-	-
§	F.P.	1.20	1	½	Groemont Hld Wrt	1		-	-	-	-
§135	F.P.	61.3	144½	142½	Hitachi Cred UK	144½		L4.3	1.4	3.7	23.9
§	F.P.	13.1	140½	130½	Primesight	130½	-4½	-	-	-	13.1
100	F.P.	32.8	112½	99½	Reabourne Merlin	109	-1	-	-	-	-
§	F.P.	68.9	227	204½	Royalblue Grp	208½		1.5	2.8	0.9	52.9
§100	F.P.	7.77	120½	109½	†SBS Group	109½		L2.4	2.8	2.7	19.3
§150	F.P.	117.0	157½	154½	SGB Group	156		L4.4	2.8	3.5	12.7
*	F.P.	4,784	373½	291½	Woolwich	298	-1½	L7.9	2.1	3.3	17.9

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1997 High	1997 Low	Stock	Closing price p	+or-
2	Nil	21/7	1½pm	¼pm	Dragon Oil	¾pm	
270	Nil	5/8	70pm	45pm	HIT Enter	70pm	
20	Nil	28/7	27½pm	2¾pm	Mackie Intl	7½pm	
17.5	Nil	22/7	1¼pm	½pm	Marylebone Wrwk	½pm	-¼

pm premium.

FTSE GOLD MINES INDEX

	Jul 14	% chg on day	Jul 11	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (31)	1344.58	-1.2	1360.44	2049.89	2.39	-	2074.81	1270.14
■ Regional Indices								
Africa (14)	1449.78	+3.4	1401.69	2850.28	5.43	23.52	2850.28	1324.08
Australasia (6)	1474.24	-1.1	1490.18	2249.41	3.57	17.09	2455.10	1336.10
North America (11)	1306.36	-2.8	1343.53	1796.10	1.07	66.30	1861.48	1244.23

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Jul 15	Day's chge%	Jul 14	Jul 11	Jul 10	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4899.3	+0.9	4857.4	4799.5	4767.8	3632.3	3.33	2.04	18.41	89.06	2091.34
FTSE 250	4451.5	+0.6	4423.9	4408.3	4386.2	4201.0	3.73	1.61	20.82	94.49	1862.97
FTSE 250 ex IT	4446.9	+0.7	4418.1	4402.9	4380.7	4237.1	3.86	1.64	19.62	97.52	1866.54
FTSE 350	2344.9	+0.8	2325.9	2301.8	2287.2	1825.5	3.40	1.95	18.81	43.93	2045.20
FTSE 350 ex IT	2345.9	+0.8	2326.6	2302.2	2287.5	-	3.43	1.96	18.59	11.97	1049.40
FTSE 350 Higher Yield	2274.6	+0.4	2264.6	2238.1	2226.8	1754.5	4.60	1.76	15.42	53.06	1682.13
FTSE 350 Lower Yield	2419.8	+1.1	2392.8	2370.6	2353.2	1903.5	2.41	2.25	23.02	34.35	1728.07
FTSE SmallCap	2205.18	----	2205.43	2204.36	2204.82	2091.76	3.21	1.74	22.39	40.24	1874.99
FTSE SmallCap ex IT	2169.95	----	2170.73	2171.05	2173.17	2092.57	3.48	1.82	19.69	43.33	1861.06
FTSE All-Share	2289.81	+0.8	2272.48	2250.41	2237.16	1808.18	3.39	1.94	19.01	42.85	2027.02
FTSE All-Share ex IT	2290.67	+0.8	2272.96	2250.40	2236.97	-	3.43	1.96	18.84	11.92	1043.07

■ FTSE Actuaries Industry Sectors

	Jul 15	Day's chge%	Jul 14	Jul 11	Jul 10	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(20)	4623.58	-0.1	4627.21	4588.86	4552.81	3460.61	3.30	2.01	18.81	85.78	2069.80
12 Extractive Industries(5)	4187.44	-0.9	4227.03	4248.87	4283.74	3988.99	3.78	2.38	13.96	104.80	1279.97
15 Oil, Integrated(3)	4848.64	----	4850.63	4802.86	4754.38	3562.81	3.44	1.95	18.64	90.43	2281.50
16 Oil Exploration & Prod(12)	3808.93	+0.6	3785.47	3745.67	3717.31	2416.48	1.52	2.21	37.12	38.65	2334.03
20 GEN INDUSTRIALS(265)	1871.86	+0.4	1863.84	1849.77	1834.58	1954.31	4.30	1.88	15.45	43.99	1070.93
21 Building & Construction(35)	1342.98	-0.3	1347.07	1344.76	1338.21	1133.44	3.31	1.96	19.24	25.35	1169.42
22 Building Matls & Merchs(30)	1770.70	+0.4	1762.90	1746.71	1743.12	1818.22	4.56	2.82	9.73	41.89	935.91
23 Chemicals(25)	2435.76	+1.7	2395.09	2317.75	2313.16	2392.87	4.34	1.47	19.52	59.10	1212.61
24 Diversified Industrials(15)	1308.23	+0.4	1303.01	1291.29	1286.93	1471.82	5.69	1.97	11.13	38.47	778.22
25 Electronic & Elect Equip(37) – 105 FTSE All-Share ex IT(763)	[illegible]										
FTSE Fledgling	[illegible]										
FTSE Fledgling ex IT	[illegible]										
FTSE AIM	[illegible]										

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	[illegible]										
FTSE 250	[illegible]										
FTSE 350	[illegible]										
FTSE SmallCap	[illegible]										
FTSE All-Share	[illegible]										

Time of FTSE 100 Day's high / Day's low; Time of FTSE All-Share Day's high / Day's low [illegible]. Further information is available on http://www.ftse.com. "FT-SE" and "Footsie" are trade marks of the London Stock Exchange and The Financial Times and are used by FTSE International under licence. † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. [illegible]

FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	1,700	491½	+1½
AMVESCAP	2,000	372½	+2
ASDA Group†	21,300	143¼	+2¼
Abbey National†	2,400	856½	-2
Airtours	498	1223	+16½
Albert Fisher	1,800	43¼	
Alliance & Leicester†	5,000	619½	-1½
Allied Domecq†	1,700	458	+4
Anglian Water	1,100	782	+12½
Argos	645	622½	+15
Arjo Wiggins	417	185½	-1
Assoc. Brit. Foods†	280	542	+5
Assoc. Brit. Ports	395	258½	-1½
BAA†	2,900	590½	+5½
BAT Inds.†	11,000	550	+5
BBA	1,800	344	+13
BICC	732	175½	+1½
BOC†	322	1062½	+20
BG†	12,100	241¼	+14
BP†	4,300	798½	+7
BPB	2,400	301	-3
BSkyB†	2,100	449	-6
BT†	53,700	452½	-4
BTR†	9,800	197½	-1
Bank of Scotland†	5,000	429½	+4
Barclays† – Yorkshire Water	[illegible]		

Based on trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FTSE 100 index constituent. [illegible]

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Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jul 15 / Sch)

BELGIUM/LUXEMBOURG (Jul 15 / Frs.)

CZECH REP (Jul 15 / Koruna)

DENMARK (Jul 15 / Kr)

FINLAND (Jul 15 / Mks)

FRANCE (Jul 15 / Frs.)

GERMANY (Jul 15 / Dm.)

GREECE (Jul 15 / Drachma)

ITALY (Jul 15 / Lira)

NETHERLANDS (Jul 15 / Fls.)

NORWAY (Jul 15 / Kroner)

POLAND (Jul 15 / Zloty)

PORTUGAL (Jul 15 / Escudo)

SPAIN (Jul 15 / Pts.)

SWEDEN (Jul 15 / Kronor)

SWITZERLAND (Jul 15 / Frs.)

TURKEY (Jul 15 / TK Lira)

PACIFIC

JAPAN (Jul 15 / Yen)

AUSTRALIA (Jul 15 / Aus$)

HONG KONG (Jul 15 / H.K.$)

INDONESIA (Jul 15 / Rupiah)

MALAYSIA (Jul 15 / MYR)

NEW ZEALAND (Jul 15 / NZ $)

SINGAPORE (Jul 15 / S$)

SOUTH KOREA (Jul 15 / Won)

TAIWAN (Jul 15 / TW $)

THAILAND (Jul 15 / Baht)

AFRICA

SOUTH AFRICA (Jul 15 / Rand)

NORTH AMERICA

CANADA

TORONTO (Jul 15 / Can $) 4 pm close

MONTREAL (Jul 15 / Can $) 4 pm close

INDICES

	Jul 15	Jul 14	Jul 11	1997 High		1997 Low	
Argentina							
General(29/12/77)	(u)	23644.85	23654.12	23654.12	11/7	6.09	9/7
Australia							
All Ordinaries(1/1/80)	2637.6	2673.0	2690.1	2745.90	27/7	2352.20	1/4
All Mining(1/1/80)	840.8	845.2	849.7	987.30	24/2	831.10	8/7
Austria							
Credit Aktien(30/12/84)	438.42	438.57	436.91	441.86	9/7	374.49	9/1
Traded Index(2/1/91)	1390.14	1393.80	1388.85	1399.49	9/7	1130.22	9/1
Belgium							
BEL20(1/1/91)	2499.71	2501.32	2492.41	2504.47	7/7	1871.06	2/1
Brazil							
Bovespa(29/12/83)	(u)	12699.0	13153.0	13617.00	8/7	6966.80	2/1
Canada							
Metals Minls♦(1975)	(u)	5048.83	5043.55	5891.76	10/3	4845.98	11/4
Composite♦(1975)	(u)	6639.80	6626.40	6639.60	14/7	5579.38	14/4
Portfolio§§(4/1/83)	(u)	3359.20	3351.44	3359.20	14/7	2848.02	11/4
Chile							
IGPA Gen♥(31/12/80)	(u)	5798.73	5814.77	5868.71	4/7	4912.42	2/1
Denmark							
CopenhagenSE(3/1/83)	634.80	632.31	624.77	634.80	15/7	470.14	2/1
Finland							
HEX General(28/12/90)	3424.40	3417.01	3384.29	3424.40	15/7	2483.28	2/1
France							
SBF 250(31/12/90)	1928.77	(c)	1921.36	1928.23	9/7	1533.19	2/1
CAC 40(31/12/87)	2850.70	(c)	2841.59	2869.70	15/7	2256.87	2/1
Germany							
FAZ Aktien(31/12/58)	1384.48	1386.54	1358.69	1386.54	14/7	988.21	2/1
Commerzbank(1/12/53)	4072.3	4075.7	4067.10	4075.70	14/7	2875.90	2/1
DAX‡(30/12/87)	4121.13	4124.19	4040.57	4124.19	14/7	2848.77	2/1
Greece							
Athens SE(31/12/80)	1590.33	1600.90	1591.44	1727.20	23/5	954.64	2/1
Hong Kong							
Hang Seng(31/7/64)	15487.24	15370.94	15225.29	15487.24	15/7	12066.17	3/4
India							
BSE Sens.(1979)	4221.02	4225.02	4321.98	4494.89	9/7	3228.24	2/1
Indonesia							
Jakarta Comp.(10/8/82)	722.20	722.49	728.41	740.83	8/7	631.27	15/4
Ireland							
ISEQ Overall(4/1/88)	3527.06	3535.13	3514.44	3535.13	14/7	2725.97	2/1
Italy							
Banca Comm Ital(1972)	882.27	882.40	871.30	882.40	14/7	642.55	2/1
MIB General(2/1/97)	1326.0	1328.0	1309.0	1328.08	14/7	991.00	2/1
Japan							
Nikkei 225(16/5/49)	20069.41	20229.72	19875.49	20681.07	15/6	17303.65	10/1
Nikkei 300(1/10/82)	295.91	296.43	291.55	302.84	20/6	251.04	27/1
Japan							
Topix(4/1/68)	1521.89	1525.14	1504.39	1560.38	26/6	1328.82	10/4
2nd Section(4/1/68)	1815.30	1818.68	1819.05	1848.25	30/6	1516.50	15/4
Malaysia							
KLSE Comp.(4/4/86)	1012.48	1015.50	1017.61	1271.57	25/2	1008.52	10/7
Mexico							
IPC(Nov 1978)	(u)	4777.07	4821.82	4862.39	10/7	3359.46	2/1
Netherland							
CBS TtlRtnGen(End 83)	1111.2	1114.5	1100.1	1114.50	14/7	730.80	2/1
CBS All Shr(End 83)	642.0	644.0	635.7	644.00	14/7	429.00	2/1
New Zealand							
Cap. 40(1/7/86)	2470.91	2505.32	2516.84	2528.65	4/7	2207.49	1/4
Norway							
Oslo SE(Ind)(2/1/83)	2098.56	2079.05†	2081.59	2102.82	7/7	1639.03	2/1
Philippines							
Manila Comp(2/1/85)	2655.86	2710.73	2701.14	3447.60	3/2	2499.38	20/5
Portugal							
BVL 30(4/1/93)	3347.77	3398.22	3415.45	3481.18	9/7	2165.57	3/1
Singapore							
SES All-S'pore(2/4/75)	484.74	485.81	489.06	573.03	17/2	478.94	29/4
South Africa							
JSE Gold(28/9/78)	976.3♥	999.6	950.6	1589.10	27/2	903.90	7/7
JSE Ind.(28/9/78)	8895.7♥	8842.5	8807.7	8895.70	15/7	7859.50	2/1
South Korea							
KoreaCmpEx**(4/1/80)	755.05	764.45	768.30	792.29	17/6	611.05	7/1
Spain							
Madrid SE(30/12/85)	619.79	628.10	623.17	628.15	7/7	434.54	2/1
Sweden							
AffarsvardnGen(1/2/37)	3185.2	3208.6	3184.2	3208.60	14/7	2378.60	2/1
Switzerland							
SMI Index(1/7/88)	5844.7	5845.6	5861.5	6012.80	8/7	3922.80	7/1
SPI General(1/6/87)	3685.40	3683.69	3681.10	3768.79	8/7	2506.22	6/1
Taiwan							
WeightedPr.**(30/6/66)	9555.88	9593.54	9394.63	9593.54	14/7	6844.75	6/1
Thailand							
Bangkok SET(30/4/75)	625.86	611.81†	628.55	858.97	22/1	464.77	19/6
Turkey							
IMKB Nat. 100(1986)	2036.0	2043.0	2027.0	2043.00	14/7	985.00	2/1
WORLD							
MS Capital Intl(1/1/70)	961.5*	966.3	963.1	988.30	14/7	794.50	14/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	2685.03	2687.86	2657.44	2687.86	14/7	1893.80	2/1
FTSE E 100(26/5/90)	2263.49	2260.44	2231.87	2263.49	15/7	1582.59	3/1
HSBC JC Drgn(31/12/88)	(u)	421.84	421.35	429.45	20/1	381.63	29/4
MS Emgs Emrg(7/1/92)	192.57	194.49	198.24	198.81	9/7	158.74	3/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
■ CAC-40 (MATIF/MONEP) (200 x Index)							
Jul	2974.0	2958.0	+8.0	2976.0	2942.0	8,542	29,910
Aug	2983.0	2966.0	+8.0	2983.0	2959.0	229	2,824
■ DAX							
Sep	4151.0	4162.0	-10.0	4182.5	4125.0	22,654	87,546
Dec	4162.0	4193.0	-5.0	4212.5	4161.0	21	1,944
■ OMX							
Jul	2582.00	2579.00	-25.00	2594.00	2574.00	5,281	23,817
Aug	2600.00	2585.00	-18.75	2600.00	2585.00	2,154	3,330
■ SOFFEX							
Jul	5846.0	5845.0	+2.0	5865.0	5761.5	9,208	21,285
Aug	5848.0	5851.5	-12.0	5880.0	5775.0	3,092	6,558

** Sat July 12: Taiwan Weighted Price 9501.09; Korea Comp Ex 767.27. Base values of all indices are 100 except Australia All Ord and Mining - 500, Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, SPI, Euro Top-100, ISEQ Overall, Toronto Comp./Met & Mins, DAX - all 1,000; SMI - 1500; JSE Gold - 255.7; JSE 20 Ind - 264.3; IMKB Nat 100 - 1; NYSE All Common - 50; Stand & Poor's - 10 and Amex Comp - 550. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ [illegible] DAX after-hours Index: Jul 15 - 4139.88 -2.91 † Correction. * Calculated at 15.00 GMT. ● Excluding bonds. : Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

US INDICES

Dow Jones	Jul 14	Jul 11	Jul 10	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	7922.98	7921.82	7886.76	7962.31 (8/7)	6391.69 (11/4)	7962.31 (8/7/97)	41.22 (8/7/32)
Home Bonds	103.88	103.98	104.08	104.08 (10/7)	101.08 (14/4)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	2800.75	2819.31	2812.21	2821.82 (8/7)	2222.07 (2/1)	2821.82 (8/7/97)	13.23 (8/7/32)
Utilities	232.63	231.85	232.10	240.85 (22/1)	208.47 (25/4)	256.46 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 8001.26 (7984.02) Low 7831.00 (7837.88) (Theoretical♠)
Day's high 7950.88 (7955.07) Low 7880.04 (7867.21) (Actual♠)

Standard and Poors	Jul 14	Jul 11	Jul 10	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite:	918.38	916.68	913.78	918.75 (8/7)	737.01 (2/1)	918.75 (8/7/97)	4.40 (1/6/32)
Industrials♥	1083.55	1079.81	1076.19	1083.55 (14/7)	855.42 (11/4)	1083.55 (14/7/97)	3.52 (30/6/32)
Financial	103.69	104.21	103.90	105.75 (3/7)	80.75 (2/1)	105.75 (3/7/97)	7.13 (4/8/74)
NYSE Comp.	478.11	478.12	476.27	478.49 (8/7)	389.47 (11/4)	478.49 (8/7/97)	4.64 (25/4/42)
Amex Comp.	632.83	635.47	631.70	635.47 (11/7)	541.29 (28/4)	635.47 (11/7/97)	524.20 (16/7/96)
NASDAQ Cmp	1523.88	1502.62	1490.93	1523.88 (14/7)	1201.00 (2/4)	1523.88 (14/7/97)	54.87 (3/10/74)

■ RATIOS

	Jul 11	Jul 3	Jun 27	Year ago
Dow Jones Ind. Div. Yield	1.63	1.63	1.67	2.26
	Jul 9	Jul 2	Jun 25	Year ago
S & P Ind. Div. yield	1.55	1.58	1.62	2.03
S & P Ind. P/E ratio	24.91	24.75	24.35	21.97

■ NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Micron Tech	6,402,300	47	+2
Chrysler	5,816,100	35¼	-⅛
Hewlett Pkd	5,336,900	65	+3¼
Fannie Mae	4,928,800	41¾	-⅜
Philip Mrrs	4,808,700	42⅞	-½
Sunamerica	3,877,000	56¼	-1½
Waste Man	3,803,100	31¾	-1¼
Hyperion 97	3,278,300	7¼	----
Pepsico	3,264,800	37⅞	+½
Tel Brasil	3,121,800	146⅞	-6

■ TRADING ACTIVITY

● Volume (million)	Jul 14	Jul 11	Jul 10
New York SE	449.708	503.726	551.274
Amex	21.460	23.188	21.634
NASDAQ	690.333	680.211	645.320
NYSE			
Issues Traded	3,418	3,412	3,380
Rises	1,476	1,730	1,774
Falls	1,379	1,075	1,045
Unchanged	564	607	561
New Highs	397	411	304
New Lows	18	16	16

	Open	Latest	Change	High	Low	Est. vol.	Open int.
■ S&P 500							
Sep	926.70	928.50	+1.65	929.20	923.25	48,087	179,882
Dec	-	939.40	+2.70	-	-	148	5,321

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
■ Nikkei 225							
Sep	20250.0	20070.0	-170.0	20270.0	20050.0	22,351	168,740

Open interest figures for previous day.

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■ TOKYO - MOST ACTIVE STOCKS: Tuesday, July 15, 1997

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Toshiba Corp	7.7m	730		Ind Bk Of Japan	4.0m	1660	
Fujitsu	7.3m	1660	+10	NEC Corp	3.9m	1630	
Aoki Corp	6.5m	96	-2	Tokai Kogyo	3.9m	10	
NKK Corp	6.1m	221	-6	Nomura Secs	3.8m	1500	+10
Hitachi	5.3m	1300	+20	Matsushita E Ind	3.7m	2370	

NEW YORK STOCK EXCHANGE PRICES

4 pm close July 15

- A -

1997 High	1997 Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
35 5/8	24 1/8	AAR	0.48	1.3	27	438	u35 9/16	35 1/4	35 9/16	-1/16
46 3/4	33 1/4	AMP	1.04	2.3	37	3674	46 1/16	46	46 1/16	+1/4
109 1/2	78 3/4	AMR			7	4044	95 13/16	93 1/16	95 1/4	+2 1/2
37 5/8	29 1/2	ASA	1.20	4.0	20	507	30 3/8	30 1/8	30 1/2	
68 15/16	49 1/4	AbbotL x	1.08	1.7	25	12351	64 3/16	63 1/2	64 3/16	-1/16
18 5/8	14 1/2	Abitibi Pr	0.40	2.3	9	z0	17 3/4	17 3/4	17 3/4	
22 1/16	17 3/8	ABM Ind x	0.40	1.8	19	94	u22 1/8	21 3/4	21 13/16	-3/16
23 13/16	17 1/4	Acptocain			11	324	23 1/4	23	23 1/8	-1/8
78 1/2	56 1/8	ACE Ltd x	0.88	1.1	12	212	u78 5/8	78	78	-3/8
10 1/4	10	ACM Gvt In x	0.90	8.5	11	445	10 9/16	10 1/2	10 3/16	+1/16
7 7/8	7	ACM GvOpp x	0.63	8.1		47	7 13/16	7 3/4	7 3/4	
9 13/16	9 1/4	ACM Man x	0.90	8.9		680	u10 1/16	9 7/8	10 1/16	+1/8
10 3/8	6 1/8	Acme Elect				40	6 3/8	6 1/4	6 1/4	-3/16
20	12	Acme Mills				36	17 5/16	17	17 1/16	-1/4
21 7/8	14	ACNielsen			41	816	u22 11/16	21 1/4	22 11/16	+1 5/16
40 1/8	27 1/4	Acordia	0.80	2.0	19	z0	39 7/8	39 7/8	39 7/8	
29 3/4	21 1/16	Acuson				9792	21 5/16	d18 1/8	19 7/8	-1 3/4
24	19 3/8	Adams Expr	0.55	2.3	1	144	23 15/16	23 1/2	23 15/16	
48 1/2	24 7/8	AdvMic				9253	39	38 1/2	38 7/8	+5/16
27 1/2	10 3/8	Advest Grp x	0.12	0.6	18	280	22 1/8	21 1/2	21 9/16	-7/16
17 1/4	11 3/8	Advo Inc			20	105	u17 3/8	17 1/4	17 3/8	+1/8
76 3/4	61 1/8	Aegon	1.31	1.7	21	2132	u77 3/8	76 13/16	77 1/4	+3/4
5 3/16	3 3/8	Aerfix				174	4 1/2	4 7/16	4 7/16	
58 1/2	33	Aero-V	0.80	1.6	14	875	50 1/16	49 3/4	50 1/16	+3/16
74 3/4	48	AES Corp				z0	u74 13/16	74 13/16	74 13/16	+9/16
112 5/8	73	Aetna	0.80	0.8	58	6831	105 1/2	104 3/8	104 13/16	+3/16
51 13/16	37 1/2	AlleoA	0.45	0.9	18	750	50 3/4	50 3/16	50 3/8	+1/8
35 15/16	19 1/4	AGCO	0.04	0.1	14	z0	34 9/16	34 9/16	34 9/16	+1/16
21 5/8	18 3/8	AGL Res	1.08	5.3	14	263	20 1/4	20 1/8	20 3/16	
47 7/8	32	Ahmanson	0.88	1.9	24	8931	47 1/2	46 13/16	47	-1/8
86 7/8	68 3/8	AirPrC x	1.20	1.4	23	1438	86	84 7/8	85 3/4	+7/16
44 1/2	22 3/4	Airbor Frt	0.30	0.7	23	752	44 3/16	43 7/16	44 1/8	+11/16
24 1/2	13 1/2	Airgas			58	309	19 1/2	19 1/8	19 3/8	-1/8
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NYSE PRICES

4 pm close July 15

Continued from previous page

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Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sis-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

Dealings suspended.

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AMEX PRICES

4 pm close July 15

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NASDAQ NATIONAL MARKET

4 pm close July 15

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Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$3.125		0	8.25	3	Lernout & Hauspie	US$30	+0.625	7440	30	25
Artwork Systems	US$9.375	-0.125	11699	11.125	9.5	Mercer Int'l	US$9.5	+0.25	0	11.75	8.125
Chemunex	FFr15		0	18	14	NTL	US$23.625	-0.25	1000	25.125	23.375
Dr Solomon's ADS	US$27.875	+0.5	6150	28.375	18.875	Pixtech	US$3.875		0	6.125	3.875
Esprit Telecom ADS	US$8.125	-0.125	0	12.25	5.375	Schoeller-Bleckmann	Sch685	-3	26650	1020	800
Innogenetics	US$10.5	-0.5	4872648	12.75	10.375	Topcall Int'l	Sch3203	+5	29541	3205	3065

Prices for 15/7/97. Please note that mid prices are now used to calculate highs and lows
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Dow weak as Amsterdam, Paris creep up to fresh peaks

tech stocks outperform

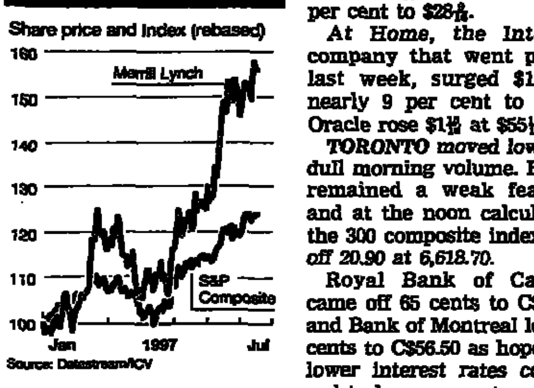
AMERICAS

Wall Street moved lower in morning trading, with the Dow Jones Industrial Average down 36.70 to 7,886.28 at midsession amid a flurry of second quarter earnings reports, *writes John Labate in New York.*

Technology stocks continued to outperform blue chips as the Nasdaq composite index, which is weighted in technology issues, gained 6.47 at 1,530.45 after six continuous sessions of record-breaking closes. The Standard & Poor's 500 Index lost 2.02 at 916.36.

The Dow sell-off was broadly-based, with cyclical stocks trading lower as International Paper lost $1⅞ at $57⅞ and DuPont fell $1¼ at $61 1/16. Coca-Cola shed $¾ at $69½.

Merrill Lynch



Breaking the trend in the Dow was American Express, which rose $2 to $80¾. Hewlett-Packard added $1 1/16 at $65¾.

Merrill Lynch surged up $2¼ to $65 15/16 after releasing second-quarter earnings that proved above analysts' expectations. Among other investment banks, Lehman Brothers rose $1 1/16 at $43 11/16 while broker Charles Schwab gained $2⅝ or more than 6 per cent to $44⅞.

Paine Webber also released strong earnings and shares rose $ 15/16 *to $36 1/16. Donaldson,* Lufkin, & Jenrette continued upward after reporting solid earnings on Monday as shares surged $1 11/16 at $60⅞.

Among banking stocks, Citicorp dropped $3 to $125⅝ after reporting earnings in line with analysts' expectations while Bank of New York slid $⅝ to $45⅝. Chase Manhattan gained $1 13/16 to $102⅞ and Wells Fargo recovered some lost ground, gaining $3½ at $269.

Technology stocks continued higher after Monday's sharp rises. Semiconductor company Intel was up $2 1/16 at $80 15/16 while rival Motorola *added $1 at $86¼. Microsoft* gained $1 11/16 at $137⅞. Internet bookseller Amazon.Com surged $2 13/16 or more than 11 per cent to $28 3/16.

At Home, the Internet company that went public last week, surged $1 15/16 or nearly 9 per cent to $24¼. Oracle rose $1 13/16 at $55 11/16.

***TORONTO** moved lower in* dull morning volume. Banks remained a weak feature, and at the noon calculation the 300 composite index was *off 20.90 at 6,618.70.*

Royal Bank of Canada came off 65 cents to C$65.75 and Bank of Montreal lost 70 cents to C$56.50 as hopes for lower interest rates continued to lose momentum.

Industrials were mixed. Strong second-quarter earnings lifted steelmaker IPSCO *to the top of the performance* charts with the shares gaining C$3.10 to C$53.50. But Alcan Aluminium dipped 60 cents to C$47.20.

Placer Dome added 40 cents to C$20.70 after the company announced that its forthcoming interim results would show a big drop in costs.

But most gold producer shares tracked the weaker bullion price, Barrick shed 15 cents to C$29.50.

EUROPE

A further spurt for Nedlloyd, the shipping leader, and strong gains among tech stocks took **AMSTERDAM** to a record high. The AEX index finished 0.99 ahead at 949.16. Trading was mixed for much of the session and volume was again on the low *side.*

Nedlloyd was the day's best AEX performer, rising Fl 4.30 to Fl 65.60 for a two-day gain of 12.5 per cent. *The strength of the dollar* and persistent talk of rising container rates were said to be the main reason for the upturn.

Philips put on *Fl 2.20* to Fl 151 following further overnight gains for the high-tech sector on Wall Street and a buy recommendation from *ING Baring. Among smaller* caps, ASM Lithography rose Fl 8.70 to Fl 163 and Baan Fl 3.30 to Fl 153.

ABN Amro again topped *the activity charts, trading* 7m shares, but unwound some of the recent strong gains with a dip of 60 cents to Fl 46.

***PARIS** made steady prog*ress in spite of a clear shake-out for a number of privatisation-linked shares. The CAC 40 nudged to a record *close, adding 9.11 at 2,950.70* in modest 9.9m volume.

Thomson-CSF, a firm market lately on a revival of privatisation hopes, fell FFr6.10 or 3.6 per cent to FFr163.50 following the government's *decision to abandon plans* for the sale of its 58 per cent shareholding.

Potential suitors were mixed. Lagardere came off FFr4 to FFr175 but Alcatel Alsthom added FFr7 at FFr772 on speculation that the company could at some stage be linked with CSF.

Valeo improved FFr3 to FFr401 ahead of today's half-year results. Brokers expect strong numbers and talk yesterday suggested that the *statement would be accom*panied by news of a strategic move.

Threatened strike action sent Eurotunnel spinning lower. *The shares ended* down 70 centimes or 9.3 per cent at FFr6.85.

FRANKFURT took a brief excursion to another peak, *driven ahead by the firm dol*lar and early strength on Wall Street. But in late electronic trade, the market decided the time was ripe for a consolidation and the Ibis-indicated Dax index edged *2.51 lower at 4,139.68.*

Chemicals, however, made further gains as Hoechst rose DM1.68 to DM82.10. BASF was up 74 pfg at *DM68.90 and Bayer gained 34* pfg to DM74.50.

In the opposite direction, Volkswagen, a recent bourse favourite, turned DM13 *lower at DM1,474 and BMW* was DM14 down at DM1,531. Porsche prefs tumbled DM70 to DM2,800.

Industrial group Viag lost *DM9.30 to DM785.90 in spite* of forecasting higher 1997 group sales and adding that earnings were likely to remain stable or rise slightly *during the year.*

ZURICH was flat as a positive reception for Roche's first half-sales, and the firm dollar, saved the market *from a sharp pull-back from* Monday's record high.

The SMI index finished 1.10 weaker at 5,844.70.

Roche benefited from first-half sales that were, in Swiss franc terms, marginally ahead of most expectations. The certificates rose SFr140 to SFr14,425.

The rest of the sector was mixed with the heavily traded Novartis up SFr8 to SFr2,417, Ciba SC SFr1.50 *easier at SFr133.75, and Clar*iant down SFr7 at SFr965.

Sulzer, the technology group, lost SFr36 to SFr1,200, prompting suggestions that *some investors might be* switching into Sulzer Medica, which traded on Monday for the first time. Sulzer Medica was SFr8 higher at *SFr416, up from an issue* price of SFr350.

SBC's strategic alliance with the Japanese bank, LTCB, had little impact as *the banking sector contin*ued to experience profit-taking. UBS fell SFr18 to SFr1,679, SBC fell SFr4.50 to SFr410 and CS Group was *unchanged at SFr202.*

Insurers mostly pulled back also on profit-taking after their recent strong run and Swiss Re lost SFr24 to SFr2,130. Winterthur *ended* SFr5 lower at SFr1,469, 90 per cent above the levels seen early this year.

Nestlé eased SFr2 to *SFr1,948 amid forecasts it* would report a 17.5 per cent rise in first-half sales.

***MADRID** fell sharply as traders took profits in low* volume. The general index closed down 8.31 or 1.3 per cent at 619.79 in turnover of Pta75.2bn. *Disappointing first-half results drove banks* lower. Banco Popular fell Pta2,010 or 5.3 per cent to Pta35,990, Bankinter lost Pta730 to Pta26,600 and *Argentaria was Pta350 lower* at Pta9,250.

Tabacalera shares fell Pta310 to Pta8,140 on speculation that the tobacco company planned a bid for the distribution group, Midesa.

MILAN edged higher, supported by the firm dollar and continued gains in bank and *insurance shares.*

The Comit index eased 0.13 at 882.27 while the real-time Mibtel edged 36 higher at 14,104.

Banco *Ambroveneto* jumped L696 or 9.5 per cent at L8,057 after being suspended limit up for the second consecutive day.

Ambroveneto is planning a merger with Milan-based savings bank Cariplo and, analysts said, there were rumours of another bank purchasing a stake.

Benetton tumbled L941 at L25,926 on fears that it would pay too much for its *new acquisition; sportswear* retailer Benetton Sportsystem, which is currently owned by the family holding company Edizione.

***HELSINKI** shrugged off* a slow day for index heavyweight Nokia to power to a record high on the Hex index, which ended up 7.39 *at 3,424.40.*

The driving force was a FM70 or 18.9 per cent rise to FM440 at food and chemicals group Raisio, which *announced a breakthrough* into the US market.

Rasio, which touched FM470 at one stage, has linked up with US healthcare giant *Johnson and* Johnson that will produce a key ingredient for low cholesterol products.

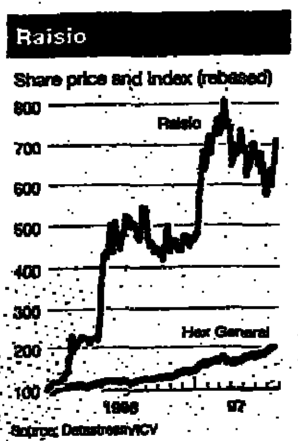
FTSE Actuaries Share Indices

Jul 15							THE EUROPEAN SERIES	
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	2686.65	2685.65	2685.73	2684.53	2684.14	2683.30	2686.08	2685.03
FTSE Eurotrack 200	2680.04	2682.55	2681.54	2681.53	2679.95	2680.61	2679.96	2678.73

	Jul 14	Jul 11	Jul 10	Jul 9	Jul 8
FTSE Eurotrack 100	2687.88	2657.44	2648.24	2680.53	2653.83
FTSE Eurotrack 200	2673.52	2642.15	2622.81	2642.05	2626.43

Base value 1000 (26/10/90); High/day: 100 - 2688.00; 200 - 2683.61 Low/day: 100 - 2681.81 200 - 2676.75. † Partial

Raisio



Written and edited by Michael Morgan, Jeffrey Brown and Robert Anderson

Tokyo down as foreign investors take profits

ASIA PACIFIC

Tokyo fell prey to profit-takers after gaining more than 500 points in the preceding three days, *writes Gwen Robinson.*

Selected high-tech shares stayed firm but the broader market was dull from the outset, closing just above its *session lows. The Nikkei 225* average came off 159.31 to 20,069.41 after moving between 20,037.40 and 20,242.62.

Profit-taking set in as foreign investors reversed their recent bullish stance and sold domestic demand-driven issues such as steels and shipbuilders as well as precision instrument makers, which had soared the previous day. The weakening of Nikkei 225 index futures toward the end of the day prompted further selling of cash stocks.

Volume eased from 421m shares to an estimated 390m. Declines led advances 617 to 443 with 187 unchanged. The Topix index of all first-section stocks fell 3.25 to 1,521.89 and the capital-weighted Nikkei 300 was off 0.52 at 295.91.

In London, the ISE/Nikkei 50 index rose 10.66 to 1,647.87.

Some high-technology issues continued to benefit from investors' growing focus on export-driven stocks. Sony ended flat at Y10,100 after reaching an intra-day record high of Y10,300. Advantest rose Y70 to Y9,870 and Tokyo Electron Y120 to Y6,650. TDK gained Y90 to Y9,090, Hitachi Y20 to Y1,300 and Fujitsu Y10 to Y1,660.

General contractors mostly stayed on their recent downward course. Obayashi slid Y13 to Y703, Sato Kogyo Y5 to Y180 and Tokyo Construction Y16 to Y182. Marui, the department store operator, fell Y100 to Y2,010 on reports that its earnings in the February-July first half of its business *year are likely to drop for* the first time in three years.

Other department stores retreated on news that June department store sales in *Tokyo fell an annual 5.6 per* cent, although investors had expected sales to continue declining after the April 1 sales tax increase. Takashi*maya fell Y10 to Y1,460 and* Tokyu Department Store Y8 to Y390.

JR West, the leading railway operator, slid Y16,000 to Y426,000 on foreign selling after news that JR Tokai, another railway operator spun off from the government's now-defunct JNR group, will list its shares on the Tokyo exchange on October 8. But JR East, another part of the former JNR group, rose Y4,000 to Y579,000.

In Osaka, the OSE average rose 62.43 to 21,039.24 in volume of 19.7m shares.

MANILA fell steeply on currency worries, although turnover was light at 1.7bn pesos. The composite index came off 54.87 or 2 per cent to 2,655.86. Petron fell 40 centavos to 6.20 pesos and Empire East Land dropped 20 centavos to 4.25 pesos.

BANGKOK closed sharply higher on bargain hunting amid talk of currency support from the International Monetary Fund and Japan. In thin volume, the SET index rose 13.75 or 2.25 per cent to 625.66.

Hiroshi Mitsuzuka, Japan's finance minister, said yesterday that he was committed to helping Thailand in conjunction with the IMF if necessary. Thai Farmers Bank was the day's most active stock, rising Bt2 to Bt106 on turnover of Bt208m.

KUALA LUMPUR edged lower on foreign selling as the Malaysian dollar, which slumped to a 33 month low against the US currency, became the latest south-east Asian currency to fall to speculators. The composite index eased 3.02 to 1,012.48.

The domestic dollar fell 1.8 per cent on Monday after the central bank abandoned its peg to the US currency after spending up to $2bn trying *to defend the link.*

Ekran was unchanged at M$4.84 in spite of news that its $6.2bn Bakun dam project might be delayed.

***SEOUL** fell 1.2 per cent as* banks bailed out the Kia car-making and steel group, once again raising the spectre of financial problems at other big groups. Kia was the third rescue by a consortium of financial institutions within the last three months. The composite index fell 9.4 to 755.05 as the flagship Kia Motors lost Won1,100 to 13,400.

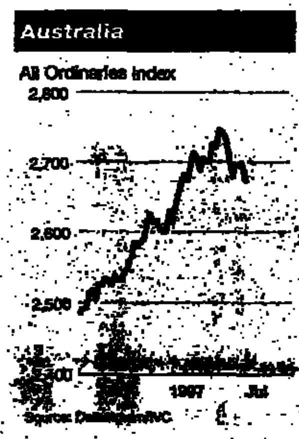
HONG KONG rallied in late trade to a record close, chiefly on momentum buying in index heavyweights HSBC ahead of its interim results and Hongkong *Telecom.*

The Hang Seng index ended 116.30 higher at a record 15,487.24 after leaping to an all-time intra-day high *of 15,508.96. Turnover was a* robust HK$21bn.

HSBC leaped to a high of HK$255 before easing to close up HK$5 at HK$254. The company's first half results are due on August 4.

Hongkong Telecom surged to an all-time high of HK$19.70 on strong institutional demand, but later eased to end 95 cents higher at HK$19.55.

Australia



SINGAPORE fell prey to the regional currency worries, and the Straits Times Industrials index lost 17.51 to a 30 month low of 1,937.09.

Analysts noted that the index was dampened by a 60 cent drop in Cycle & Carriage to S$13.20 and a 22 cent drop in publishing firm *Times to S$3.10.*

SYDNEY continued to suffer profit-taking and the All Ordinaries finished off 35.4 at 2,697.6. Dealers said the main problem for sentiment was the weaker Australian dollar.

Banks remained under heavy pressure. NAB eased 47 cents to A$19.17 and ANZ 17 cents to A$9.75. Westpac fell 26 cents to A$7.67. Among industrials, Coca-Cola Amatil fell 26 to A$14.50 and Brambles 20 cents to A$26.60. News Corp came off 11 cents to A$6.19.

Sao Paulo slides lower

Latin American markets fell steeply as the recent spate of devaluations in Asia sparked currency concerns.

SAO PAULO was the hardest hit, sliding 756 or 6 per cent to 11,942 on the Bovespa index at midsession. Inflation for June showed an upward blip but the main damage to sentiment was sudden onslaught of currency scares, which forced a statement from the central bank.

In a clear attempt to defuse the situation, the central bank said it "will not alter its foreign exchange policy under any circumstances and will use whatever monetary tools it deems necessary to defend that policy".

Among leading shares, Telebras was hit by heavy selling, sliding R$8.50 or 5.4 per cent to R$149.50.

CARACAS was off 2.7 per cent at midsession with the IBC index down 253.72 at 9,268.02.

MEXICO CITY ran up a midsession loss of 67.46 or 1.4 per cent to 4,709.61 on the IPC index.

Telmex retreated 40 centavos to 20.40 pesos.

S Africa industrials raise index

Golds fell back but the broader market in Johannesburg continued to gain ground and at the close the all-share index was 10.1 higher at 7,390.7.

Industrials pushed deeper into uncharted territory, lifting the industrial index 43.2 to a record 8,885.7 for a four-session advance of 126 points. Furniture group Profurn added 4 cents to R2 in heavy volume.

Among mining shares, Gencor gained 15 cents to R19.95 in very heavy volume.

At R86m, turnover in the shares accounted for more than a sixth of the total for the market.

Golds reversed Monday's strong gains, falling back as a result of renewed weakness for the bullion price. At the close, the golds index was off 23.3 at 976.3.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS	MONDAY JULY 14 1997								FRIDAY JULY 11 1997					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (76)	231.98	-1.9	203.71	166.87	216.99	209.36	-1.2	3.68	236.59	206.98	169.97	217.66	211.82	243.87	188.44	196.05
Austria (25)	198.31	-0.7	174.14	142.65	184.64	184.52	0.5	1.78	199.64	174.66	143.43	183.67	183.54	202.98	174.70	179.83
Belgium (29)	252.29	-1.1	221.55	181.48	234.90	230.06	0.1	2.97	255.11	223.19	183.28	234.70	229.82	261.11	206.70	206.85
Brazil (30)	304.38	-3.1	267.29	218.98	283.40	605.21	-3.0	1.21	314.00	274.71	225.58	288.87	624.27	322.44	170.26	189.70
Canada (127)	218.09	0.4	191.51	156.88	203.05	216.08	0.3	1.69	217.20	190.02	156.04	199.82	215.52	218.09	154.12	159.35
Denmark (32)	404.12	-0.5	354.87	290.70	376.26	374.86	0.7	1.36	408.33	355.48	291.92	373.82	372.31	408.37	303.46	304.49
Finland (26)	300.75	0.2	264.10	216.34	280.02	334.02	1.1	1.65	300.21	262.65	215.68	276.19	330.33	304.09	186.67	190.72
France (84)	230.87	-1.2	202.73	166.07	214.95	218.95	0.0	2.39	233.61	204.38	167.83	214.92	218.95	237.57	186.94	191.43
Germany (59)	228.78	0.6	200.90	164.57	213.01	213.01	2.0	1.33	226.94	198.55	163.04	208.79	208.79	228.78	168.70	170.91
Hong Kong, China (66)	533.43	0.6	468.42	383.72	496.65	530.69	0.7	2.85	530.06	463.73	380.81	487.65	527.15	539.83	407.56	420.52
Indonesia (27)	240.52	-1.3	211.21	173.02	223.94	362.24	-1.0	1.79	243.66	213.17	175.05	224.17	365.85	254.90	193.82	205.20
Ireland (17)	369.34	-0.0	324.33	265.68	343.88	344.99	0.6	2.79	369.35	323.13	265.35	339.79	343.06	369.35	270.06	277.61
Italy (59)	99.25	-1.0	87.16	71.40	92.41	128.96	0.3	1.91	100.23	87.69	72.01	92.21	128.53	100.23	73.26	79.80
Japan (485)	137.96	1.5	121.15	99.24	128.45	99.24	1.6	0.79	135.96	118.97	97.69	125.10	97.69	150.97	107.57	149.05
Malaysia (107)	474.40	-2.3	416.58	341.25	441.69	469.10	0.1	1.47	485.65	424.88	348.91	446.80	468.48	660.85	474.40	562.57
Mexico (27)	1714.54	-1.2	1505.59	1233.34	1596.35	14749.27	-0.9	1.26	1734.66	1517.60	1246.22	1595.87	14895.36	1736.93	1110.35	1146.02
Netherlands (19)	423.12	0.2	371.56	304.37	393.95	389.35	1.4	2.00	422.19	369.36	303.31	388.41	383.84	425.66	279.88	291.14
New Zealand (14)	93.45	-1.4	82.06	67.22	87.01	74.59	-0.7	3.89	94.78	82.92	68.09	87.20	75.08	96.47	79.04	80.85
Norway (41)	317.03	-1.2	278.39	228.05	295.17	321.60	-0.1	1.91	320.82	280.67	230.48	295.15	321.95	326.60	246.04	252.66
Philippines (22)	144.41	0.8	126.81	103.88	134.46	215.91	0.8	0.97	143.30	125.37	102.95	131.84	214.25	214.07	143.30	209.48
Singapore (42)	380.74	-1.6	334.34	273.89	354.49	252.92	-1.3	1.21	386.77	338.38	277.87	355.83	256.30	448.01	380.08	396.88
South Africa (44)	357.29	0.4	313.74	257.01	332.66	355.71	0.5	2.44	355.79	311.27	255.61	327.32	353.87	370.12	301.49	349.50
Spain (33)	269.92	-0.2	236.14	193.44	250.39	307.23	0.9	2.18	269.42	235.71	193.56	247.87	304.60	276.05	171.91	177.00
Sweden (48)	509.97	0.3	447.82	366.85	474.82	586.84	0.9	1.75	508.43	444.81	365.27	467.75	583.29	509.97	334.35	344.14
Switzerland (33)	318.78	-0.3	279.93	229.31	296.80	291.39	0.7	1.15	319.86	279.83	229.79	294.27	289.48	329.59	231.89	245.50
Thailand (42)	57.80	-2.3	50.76	41.58	53.82	67.19	-3.1	4.60	59.16	51.76	42.50	54.43	69.34	163.57	47.55	163.57
United Kingdom (213)	320.85	0.8	281.75	230.80	298.73	281.75	1.1	3.57	318.43	278.59	228.77	292.95	278.59	320.85	229.63	234.32
USA (644)	372.17	0.2	326.81	267.72	346.51	372.17	0.2	1.65	371.35	324.88	266.78	341.63	371.35	372.17	254.79	262.55
Americas (828)	340.84	0.2	299.30	245.18	317.34	286.91	0.2	1.64	340.26	297.68	244.45	313.09	286.44	340.84	233.09	240.34
Europe (718)	281.30	0.1	247.02	202.35	261.91	263.56	1.0	2.44	280.88	245.74	201.80	258.42	260.97	282.11	204.71	209.42
Nordic (150)	430.85	0.0	378.08	309.71	400.87	434.32	0.8	1.70	430.50	376.63	309.28	396.05	430.75	430.94	291.45	299.31
Pacific Basin (881)	155.40	0.9	136.46	111.78	144.69	113.47	1.2	1.25	154.00	134.73	110.64	141.68	112.16	163.63	127.18	162.05
Euro-Pacific (1599)	207.96	0.5	182.61	149.59	193.62	169.92	1.1	1.82	206.87	181.07	148.69	190.41	168.12	208.00	173.55	181.67
North America (771)	362.68	0.2	318.48	260.89	337.67	361.77	0.2	1.65	361.84	316.56	259.95	332.89	360.96	362.68	248.65	256.27
Europe Ex. UK (505)	253.56	-0.2	222.66	182.39	236.08	246.68	0.9	1.80	254.05	222.26	182.52	233.72	244.44	256.23	185.65	190.81
Pacific Ex. Japan (396)	307.66	-0.8	270.17	221.31	286.45	274.11	-0.2	2.73	310.21	271.40	222.87	285.39	274.60	320.65	268.97	261.90
World Ex. US (1827)	211.87	0.4	186.05	152.41	197.26	176.84	0.8	1.80	211.00	184.60	151.59	194.12	175.18	211.87	176.94	183.08
World Ex. UK (2258)	257.37	0.3	226.00	185.14	239.63	227.81	0.6	1.59	256.67	224.55	184.40	236.13	226.56	257.37	199.69	204.92
World Ex. Japan (1986)	326.84	0.1	287.01	235.11	304.31	317.42	0.4	1.98	326.50	285.64	234.56	300.37	316.09	326.84	233.10	239.63
The World Index (2471)	262.83	0.3	230.80	189.06	244.71	232.92	0.6	1.78	261.98	229.20	188.22	241.02	231.51	262.83	202.32	207.51

CONSTITUENT CHANGES 16/7/97: Name change: AMBAC Inc to AMBAC Financial Group (USA). Latest prices were unavailable for this edition. Market closed 14/7/97: France.